



Annual Report

2019





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Executive Chairman's Report

Financial Review

For the year ended 30 June 2019, Eureka Group Holdings Limited (Eureka) achieved a significantly improved financial result over that for the previous year, reporting a net profit before (and after) tax of \$6.79 million. This compares with a prior year net loss of \$0.28 million. Net profit prior to asset revaluations was \$4.84 million (2018: \$4.05 million). This is a very satisfactory result and reflects the strength of the core operating business.

Earnings before interest, tax and depreciation (EBITDA) and before asset revaluations of \$7.83 million was up 11% on prior year of \$7.05 million. Core operating cash flow of \$4.75 million was up 13% on prior year of \$4.21 million. Proceeds from asset sales were primarily applied against debt. Net debt at year end was \$46.17 million. This compares to prior year of \$53.85 million, a reduction of 14%. This has resulted in an improved net debt to total tangible assets ratio of 36% (2018: 42%).

Investment property revaluations of \$2.25 million were recognised in the year compared to prior year net write downs of \$1.44 million. The prior year revaluations included write downs on the supported residential facilities of \$2.67 million. The weighted average capitalisation rate for the retirement village properties is 10.22% (2018: 10.31%).

Operations Review

Focus in FY2019 was to improve operational performance while maintaining a diligent approach to the sale of non-core assets. Specific comments are made later in my report about Terranora. Proceeds from non-core asset sales were \$5.90 million, including \$3.60 million from a settlement reached in relation to Couran Cove and \$1.10 million from the sale of Lambert village, the Mount Gambier Supported Residential Facility (SRF). Eureka also owns two houses associated with the facility and settlement for the sale of these properties will be in September 2019. The remaining SRF located in Adelaide has been granted accreditation under the National Disability Insurance Scheme (NDIS). An upgrade of the facility and a renewed management focus has significantly improved profitability of this asset which will in due course reflect an improved capital value.

The appointment of a new Chief Financial Officer (CFO) and Chief Operating Officer (COO) in the third quarter has strengthened the management team, enabling renewed leadership focus on business process and operational effectiveness at the support office and throughout the village network. A comprehensive review has been undertaken of all operational aspects. As a result of this review, management has developed and commenced the implementation of a two year business plan to reset the operating platform based on five pillars

	FY2019 \$'000	FY2018 \$'000	
Net profit before and after tax	6,794	(276)	↑
Net (gain)/loss on revaluation of investment property and other property assets	(1,953)	1,439	
Impairment of Couran Cove assets	–	2,887	
Net profit prior to asset revaluations	4,841	4,050	↑
Depreciation, amortisation & finance costs	2,991	3,004	
EBITDA prior to asset revaluations	7,832	7,054	↑
Operating cashflow	4,745	4,214	↑
	Cents	Cents	
Earnings per share	2.95	(0.12)	↑
Dividends per share	1.00	–	↑

Operating Pillars

- Safety, Risk and Compliance
- Information Systems and Technology
- Applications (including Customer Relationship Management and Analytics)
- Team Culture and Engagement
- Occupancy, Revenue and Cost Initiatives

Terranora

Disappointingly, the final regulatory approvals for the Terranora development were not completed until May 2019, delaying the recycling of capital from this project. An intensive sales and marketing campaign commenced in May and has resulted in encouraging early sales of the 60 strata titled units owned by Eureka. The sale of the strata titled units is expected to generate net proceeds at least equivalent to book value. To date six contracts have settled with a sales value of \$1.68 million. A further four contracts with a sales value of \$1.23 million are unconditional. In the short-term, Eureka will retain the management rights for this asset.

A feasibility study will be undertaken on the 4.8 hectare of land which is separately titled. The analysis will include assessing the suitability for a senior rental living facility. Our research suggests the Tweed - Gold Coast corridor has a strong demographic profile for independent seniors' living.

Portfolio Occupancy

The number of owned and managed village units at 30 June 2019 was 2,119 which is a 3% reduction on units held at 30 June 2018 of 2,182. The reduction in units under management results from the disposal of the SRF located in South Australia. Year-end occupancy remains strong at 91% (2018: 93%). We expect occupancy to improve in FY2020 as a consequence of new marketing initiatives and product improvement programs.

Blue Care Alliance

Our strategic alliance with Blue Care provides Eureka's residents with a range of services, offering individually tailored care and support programs. These provide benefits for our residents, enabled through government funded programs. Both Blue Care and Eureka are committed to expanding the program and have agreed a range of initiatives to improve outcomes for all residents who use these services. During FY2019 the number of residents taking up Blue Care services showed a modest increase over FY2018, with a continuing upward trend. Under the broader strategic partnership, Eureka and Blue Care will explore management and development opportunities in senior rental independent living.

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Eureka remains committed to accelerating the asset recycling program and to the profitable expansion of its business that will enhance shareholder value on a sustainable basis.

”

Dividend

The Directors are pleased to announce that Eureka will pay a final dividend of 1.0 cent per share for the year ended 30 June 2019 (2018: \$nil). The dividend will be paid to shareholders on 17 October 2019. Payment of this dividend demonstrates the progress the company has made over the reporting period and confidence in future business operations and growth.

Outlook

Concurrent with the operational plan, Eureka is implementing a targeted marketing plan directed at identifying prospective tenants through traditional media outlets and expanding into digital marketing channels. The strategy will include providing assistance to prospective tenants with the transition to independent village living including support as they navigate the regulatory environment in relation to care packages.

Eureka has a sound financial platform and along with the further recycling of assets in FY2020, it is well positioned to recommence acquisitions and scale the business. Eureka has identified a number of acquisition opportunities in the traditional village model. Within the existing portfolio, development opportunities exist at Terranora, Wynnum, Gympie and Townsville. The focus on Eureka's core business as a senior rental living service provider will stabilise and grow cash flows enabling a level of debt to be carried on operating assets in a low risk social infrastructure framework

Directors and Staff

There were a number of changes in Eureka's Board and management during the year.

Following the 2018 Annual General Meeting, Mr Nirmal Hansra retired from the Board. Mr Hansra served on the Board and its Committees from 2012. The Board thanks Mr Hansra for his efforts and commitment during the term of his appointment.

At that time, Mr Russell Banham was appointed a non-executive director of Eureka. Mr Banham is an experienced company director with a demonstrated history of working in various industries including mining metals, property development management, manufacturing and hospitality. He is skilled in financial management, risk management and corporate governance and has a professional services career that spans 40 years in Australia and abroad.

Mr Banham was appointed chair of the Audit and Risk Committee and Ms Sue Renkin assumed the role of chair of the Nomination and Remuneration Committee.

I assumed the role of Executive Chairman on the retirement of Jeff Weigh, the former CEO, on 31 May 2018. It is with sadness that the Board and management acknowledge Jeff's passing during the year and extend condolences to Jeff's family and friends.

In January 2019, Ms Tracey Champion was appointed CFO, following Mr Paul Cochrane's resignation in December 2018. Ms Champion has more than 10 years' senior financial management experience gained in roles held in Australia and overseas. She is skilled in financial management, control and systems implementation, and has significant experience in financial services and property related industries.

The Board determined that Eureka's short term needs are best served by the appointment of a COO with strong operational and property skills. Mr Cameron Taylor was appointed COO in March 2019, bringing executive level property and operational experience to the management team. Mr Taylor joined Eureka from the Woolworths Group having spent more than 10 years as the Queensland State Property Manager and more recently, the Head of Property and Facilities for Big W. His career also includes senior property positions with Flight Centre and Westfield.





The new management team has quickly implemented a two year business plan now approved by the Board. The plan's implementation is based upon a range of priorities and initiatives that I believe will contribute to improved financial performance and the establishment of a sustainable platform for future growth.

I thank all staff for their contribution and effort during the year. To our Shareholders, the Board and management thank you for your continued support during what has been a challenging period for Eureka.

Eureka remains committed to accelerating the asset recycling program and to the profitable expansion of its business that will enhance shareholder value on a sustainable basis. Eureka is now positioned to scale its platform providing secure, safe residential accommodation in the social infrastructure segment of retirement living.

Yours faithfully

Murray Boyte
Executive Chairman
30 August 2019



FY2019 Highlights

“

Strength of core operations

”

11% ↑ in **EBITDA**

pre asset revaluations

\$7.83M		\$7.05M
FY19		FY18

Assets

under management

\$133M

Including + \$2.3M revaluations

91%

Occupancy remains strong

FY18: 93%

2,119

Units under management

after sale of non-core assets.

FY18: 2,182

“

Capital recycling

”

\$5.9M

from non-core asset disposals

realised

14% ↓ in

Net debt

to \$46.2M

“

Focus on sustainable growth

”

1 cent

Commencement of

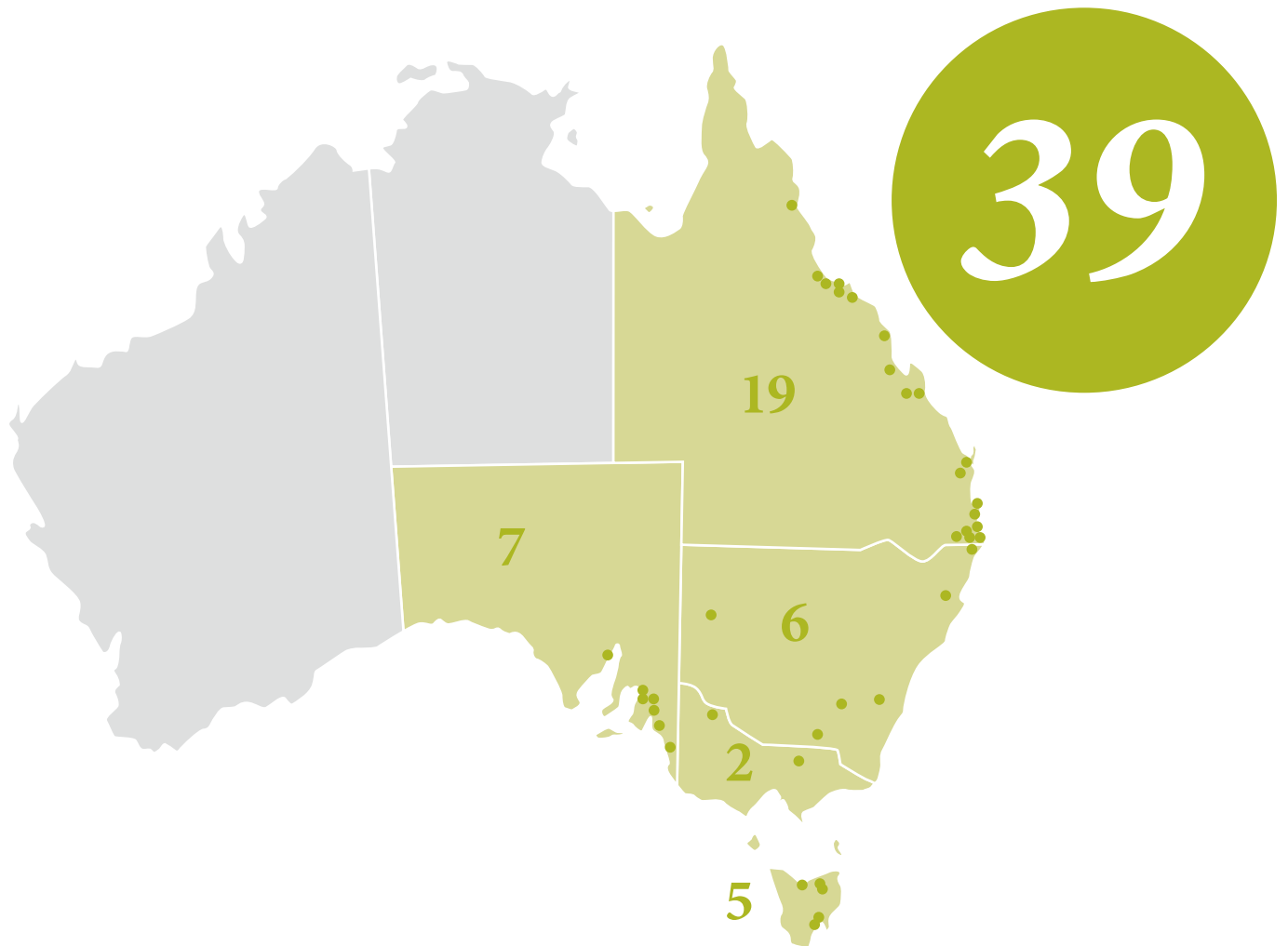
Dividend



“

Eureka has a strong platform to expand its business through acquisitions and infill developments at some existing villages. An excellent opportunity exists to scale its platform of providing secure, safe and friendly residential accommodation in the social infrastructure segment of retirement living.

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30 Owned

9 Under Management

Financial Report

2019

Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the "Company", "EGH" or "Eureka") and its controlled entities (the "Group", or the "Consolidated Entity") for the year ended 30 June 2019 ("the year").

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Murray Boyte	
Sue Renkin	
Lachlan McIntosh	
Russell Banham	Appointed 21 November 2018
Nirmal Hansra	Resigned 21 November 2018

PRINCIPAL ACTIVITIES

The principal activities of EGH include:

- Providing independent living accommodation and services to a broad market of senior residents; and
- Providing specialist property asset management through property ownership, caretaking and infrastructure management.

REVIEW OF OPERATIONS AND RESULTS

The Group has reported a profit before and after tax for the year of \$6.79 million (2018: loss of \$0.28 million) and the Group's EBITDA prior to asset revaluations was \$7.83 million (2018: \$7.05 million). The Group's portfolio of residential village assets performed well with increased revenue primarily due to additional service fees from the management of the properties in the Tasmania joint venture and improved operations. Profit before and after tax for the period included a full year contribution from the joint venture which owns and operates the villages in Tasmania.

A summary of the Group's performance is shown in Table 1.

Table 1: Performance Summary

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit/(loss) before and after tax	6,794	(276)
Depreciation and amortisation	225	251
Finance costs	2,766	2,753
EBITDA ¹	9,785	2,728
Net (gain)/loss on revaluation of investment property and other property assets	(1,953)	1,439
Impairment of Couran Cove assets ²	-	2,887
EBITDA ¹ prior to asset revaluations	7,832	7,054

¹ EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure, however, the Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

² Further details about the Couran Cove investment are contained in Note 28.

Eureka owns 30 villages, 5 of which are owned in a joint venture, and has 9 villages under management, representing 2,119 units (2018: 2,182 units).

Directors' Report

Financial Position

Key financial information in relation to the Group's financial position is shown below:

		Consolidated	
		30 June 2019	30 June 2018
Total Assets	\$'000	133,072	133,300
Net assets	\$'000	81,482	74,700
Working capital (current assets less current liabilities)	\$'000	10,887	16,191
Cash and cash equivalents	\$'000	3,060	1,986
Debt	\$'000	49,234	55,837
Shares on issue	'000	230,038	230,038
Earnings per share (basic and diluted)	cents	2.95	(0.12)
Net tangible assets per share	cents	33.1	29.8

Significant balance sheet movements during the financial year were as follows:

- Total assets decreased by \$0.23 million, due to repayment of borrowings from cash received from the sale of Couran Cove units (\$2.01 million), receipt of loan repayment related to Couran Cove (\$1.59 million) and the sale of gaming licences (\$0.60 million), offset by additions to and revaluation of investment properties (\$4.65 million).
- Total liabilities decreased by \$7.01 million primarily due to repayment of borrowings (\$6.60 million).
- Working capital decreased by \$5.30 million, due to reclassification of borrowings that are repayable within 12 months and the reduction in inventory and assets held for sale.
- Cash balances increased by \$1.07 million. Net operating cash inflow was \$4.75 million (2018 \$4.21 million).

Under the terms of its National Australia Bank (NAB) debt facility, Eureka is able to deposit and withdraw funds in accordance with its working capital needs. At balance date the undrawn amount under the facility was \$7.53 million.

Further details on changes in the Group's financial position are provided below.

Acquisitions

No significant acquisitions of properties were made during the year. The Group spent \$1.62 million on enhancing its owned villages through capital improvements and increased its ownership in non-wholly owned villages by acquiring two units for \$0.18 million.

Disposals

The Group's program of realising non-core and underperforming assets continued during the year including:

- the sale of Lambert Village, in Mt Gambier, for \$1.10 million;
- partial realisation of the Couran Cove investment for \$3.60 million;
- disposal of the remaining gaming licences for \$0.60 million; and
- settlement of two units at Terranora for \$0.54 million.

Couran Cove

On 30 August 2018, Eureka reached agreement with Onterran Limited (ASX: OTR) (Onterran), certain of its subsidiaries (Couran Cove entities) and other parties in relation to outstanding loans and property assets at Couran Cove on South Stradbroke Island. The financial impact of these agreements was reflected in the Group's financial statements for the year ended 30 June 2018.

In line with these agreements, cash of \$3.60 million was received during the year, comprising \$2.01 million from the sale of all of Eureka's units at Couran Cove and loan repayments totalling \$1.59 million.

Note 28 contains further details in relation to these transactions.

Directors' Report

Terranora

During the year, individual unit titles were issued for 61 units on the 2.04 hectare site, enabling the Group to commence realisation of its investment in the Terranora project. Two units were sold for total proceeds of \$0.54 million. An additional four unit sales totalling \$1.14 million have settled subsequent to year end. The marketing program for the remaining units is ongoing.

At 30 June 2019, the investment property balance relating to Terranora consists of the land (\$2.30 million) and manager's unit (\$0.60 million) which was transferred to investment property at fair value.

Capital management – debt & equity

Debt

The Group was in compliance with all banking covenants during the year. The Group's NAB facilities were consolidated into one facility of \$55.0 million maturing on 31 December 2021. This reflects a two-year extension for \$20.0 million of the facility. The Group intends to refinance a Westpac debt facility of \$1.76 million, expiring in November 2019, into the existing NAB facility.

Equity

The following changes in equity occurred during the year:

- the on-market share buy-back was extended until 16 March 2020. No shares were bought back and cancelled during the year (2018: nil); and
- 319,375 performance rights (2018: 559,090) and 500,000 options (2018: 1,000,000) were forfeited during the year. There were no share options or share rights outstanding at 30 June 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group, other than those addressed in the Directors' Report and in Note 34.

DIVIDENDS

At the date of signing these financial statements, the Company has declared an unfranked final dividend of 1.0 cent per share (2018: \$nil) with a record date of 1 October 2019 and a payment date of 17 October 2019. The total dividend payable is \$2.30 million. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the 2020 financial year, Eureka is committed to:

- Further expanding Eureka's core business of providing affordable rental accommodation for seniors through the active management of existing assets, the acquisition of additional villages and units, and the realisation of development opportunities;
- Improving the performance of our existing portfolio with continued focus on maintaining and improving occupancy through the ongoing strengthening of our relationships within our communities.
- Implementing operational efficiencies, cost reduction and streamlined support services through process and systems improvements across our villages and support office;
- Disposing of the Group's non-core assets.

Directors' Report

MATERIAL BUSINESS RISKS

The Board is committed to monitoring and mitigating business risks faced by the Group, including the following key risks that have the potential to materially impact its financial prospects:

- Acquisition risk – acquiring villages has and will continue to be a source of growth for the Group. Identifying properties that meet the Group's target performance hurdle rate and sit within the risk appetite set by the Board is critical to the Group's performance. The Group's Board and management is experienced in acquiring properties and will conduct comprehensive analysis and due diligence as part of its acquisition process.
- Changes in Government funding (pension, rent assistance and National Disability Insurance Scheme (NDIS)) – the Group provides affordable rental accommodation to seniors and many of the villages' residents are reliant on government funding in the form of pensions or rent assistance and NDIS. An adverse change in government funding, may have a direct impact on village occupancy, profitability and asset values. The Group manages its village and support office costs having regard to occupancy levels.
- Demand for non-core products – the Group has exposure to non-core investments at Terranora (units) and Couran Cove (loans). The Group's successful exit from these investments is dependent on approvals and/or sales occurring at forecast values within an acceptable timeframe.

SUBSEQUENT EVENTS

Details of events that occurred after the end of the financial year are contained in Note 34.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

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

Name:	Murray Boyte
Title:	Executive Chairman
Qualifications:	Murray holds a Bachelor of Commerce and Administration from the Victoria University in Wellington and is a member of the Australian Institute of Company Directors, the Institute of Directors of New Zealand and Chartered Accountants Australia & New Zealand.
Experience & expertise:	Murray has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. In addition, Murray has held executive positions and Directorships in the transport, horticulture, financial services, investment, health services and property industries. He was the Chief Executive Officer of ASX listed Ariadne Australia Limited from 2002 to 2015.
Other listed company directorships:	Abano Healthcare Group Limited (NZX), National Tyre & Wheel Limited (ASX: NTD) and Hillgrove Resources Ltd (ASX: HGO).
Former directorships (last 3 years)	Unity Pacific Group (ASX: UPG)
Special responsibilities:	Chair of the Board, Member of the Audit & Risk Committee, Member of the Nomination & Remuneration Committee.
Interests in shares:	250,000
Interests in options:	Nil

Directors' Report

Name: Sue Renkin
Title: Non-Executive Director
Qualifications: Sue holds a Master of Business Administration from Monash University, a Graduate Diploma in Corporate Governance from UNE and attended Harvard Business School for a course on Competition and Strategy.
Experience & expertise: Sue enjoyed almost thirty years as CEO for private hospitals, emergency services and not for profit entities. She now operates a portfolio career as a non-executive director and executive coach and mentor.
Sue is a past National Telstra Business Woman of the year. She is the current Chairman of Southern Metropolitan Cemeteries Trust, a Director of GMHBA Limited, member of the Global Leadership Board International Women's Forum and Director of the National Imaging Facility's Governing Board.
Other listed company directorships: Nil
Former directorships (last 3 years) Nil
Special responsibilities: Member of the Audit & Risk Committee (including as Chair until 31 January 2019), Chair of the Nomination & Remuneration Committee from 31 January 2019.
Interests in shares: Nil
Interests in options: Nil

Name: Lachlan McIntosh
Title: Non-Executive Director
Qualifications: Lachlan has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand.
Experience & expertise: Lachlan 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.
Other listed company directorships: Onterran Limited (ASX: OTR).
Former directorships (last 3 years) Nil
Special responsibilities: Member of the Audit & Risk Committee, Member of the Nomination & Remuneration Committee.
Interests in shares: 6,700,138
Interests in options: Nil

Name: Russell Banham
Title: Non-Executive Director (appointed 21 November 2018)
Qualifications: Russell has a Bachelor of Commerce degree, is a Graduate Member of the Australian Institute of Company Directors and is a fellow of Chartered Accountants Australia and New Zealand.
Experience & expertise: Russell is an experienced company director with a demonstrated history of working in various industries including mining & metals, property development and management, manufacturing and gaming and hospitality. He is skilled in financial management, risk management and corporate governance. He was an audit partner and had functional leadership responsibilities at Deloitte, Ernst & Young and Andersen.
Russell currently serves as an independent non-executive director of HKSE listed MGM China Holdings Limited, LSE listed National Atomic Company Kazatomprom and Wiggins Island Coal Export Terminal Pty Ltd. He is also a member of the Audit and Risk Management Committee of the Queensland Audit Office.
Other listed company directorships: MGM China Holdings Limited (HKSE); National Atomic Company Kazatomprom (LSE)
Former directorships (last 3 years) Nil
Special responsibilities: Member of Audit & Risk Committee from 21 November 2018 (including as Chair from 31 January 2019).
Interests in shares: Nil
Interests in options: Nil

Directors' Report

Name:	Nirmal Hansra
Title:	Non-Executive Director (resigned 21 November 2018)
Qualifications:	Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, Fellow of the Governance Institute of Australia, Fellow of Chartered Accountants Australia and New Zealand and Fellow of Australian Society of Certified Practising Accountants.
Experience & expertise:	Nirmal has over 35 years of senior executive management experience and 12 years of board and corporate advisory experience. During this time Nirmal had roles as Chief Financial Officer/Finance Director of listed companies such as Industree Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited. Whilst a director of Eureka, Nirmal was Chair of Campbell Page Limited and non-executive director of Kuringai Financial Services Limited, Link Housing Limited, Council of the Ageing (COTA) in New South Wales, Children's Tumour Foundation of Australia Limited and Have A Voice Pty Limited. He was also an independent Member of the Audit & Risk Committee for the Department of Finance, Services and Innovation and the Property & Advisory Group of the NSW Government.
Other listed company directorships:	Nil
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of Nomination & Remuneration Committee until 21 November 2018, Member of Audit & Risk Committee until 21 November 2018.
Interests in shares:	As per Remuneration Report for the period Nirmal was a director.
Interests in options:	Nil

COMPANY SECRETARIES

Laura Fanning – Company Secretary

Laura is a Chartered Secretary and Chartered Accountant with more than 20 years' financial, governance and commercial experience. Laura is currently the Company Secretary at National Tyre & Wheel Limited and has previously held Chief Financial Officer and Company Secretary roles at National Veterinary Care Limited and Unity Pacific Group Limited, as well as senior management positions in other listed and unlisted companies. She has gained broad financial and secretarial experience across several industries including funds management, property, veterinary services, wholesale distribution and franchising.

Paul Cochrane – Chief Financial Officer and Company Secretary (resigned 21 December 2018)

Paul Cochrane holds a Bachelor of Commerce from University of Queensland, is a Member of The Chartered Accountants Australia and New Zealand and holds an REIQ Real Estate License. He spent three years as Chief Financial Officer and Company Secretary at Ariadne Australia Ltd, followed by 7 years in a variety of senior roles at Lend Lease Ltd, including 3 years as Project Director of Springfield Lakes. Paul was General Manager – Finance at Aveo Ltd, a full service property group with a principal focus on retirement living and was Chief Financial Officer for Devine Ltd for 5 years, ultimately assuming the role of Company Secretary. He began his career with Price Waterhouse in the audit Division in Brisbane, followed by tenures in Hong Kong and London.

DIRECTORS AND MEETINGS ATTENDED

The number of meetings of the Company's Board of Directors ('the Board') and of each Board Committee held during the year, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Murray Boyte	16	16	6	6	1	1
Sue Renkin	16	16	6	6	1	1
Lachlan McIntosh	16	13	6	4	1	1
Russell Banham	8	8	5	5	1*	1*
Nirmal Hansra	8	8	1	1	-	-

¹ Number of meetings held while a director during the financial year

* Attended by invitation only

Directors' Report

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Eureka's non-executive directors', executive directors and other key management personnel ("KMP") for the year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

This remuneration report has been set out under the following headings:

- a) Principles of compensation of key management personnel
- b) Details of remuneration
- c) Non-executive director remuneration policy
- d) Service agreements
- e) Relationship between remuneration and Company performance
- f) Remuneration consultants
- g) Equity Instruments held by Key Management Personnel
- h) Loans to/from Key Management Personnel
- i) Other transactions with Key Management Personnel

(a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel comprises remuneration determined having regard to industry practice and the need to attract and retain appropriately qualified persons. Compensation aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice for remuneration and reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good remuneration governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation, and
- transparency.

The Nomination & Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Group's directors and executives and making recommendations to the Board for consideration and approval. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board considers that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Executive remuneration

The Group aims to reward executives based on their position and responsibilities, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration framework includes the following components:

- Fixed remuneration – comprising base salary, superannuation contributions and other benefits, having regard to comparable market benchmarks. Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive;

Directors' Report

- STI program – an 'at risk' component of remuneration where, if individual and Group performance measures are met, senior executives will be awarded cash bonuses equal to a percentage of their fixed remuneration. Performance measures will include a financial gateway hurdle and non-financial KPIs. The percentage of fixed remuneration received as an STI will be capped, but may vary, between individuals and depending on the level of performance achieved; and
- LTI program – an 'at risk' component of remuneration where senior executives are awarded equity instruments (eg options and share rights) which are subject to certain performance and service conditions. The number of equity instruments to be awarded will be determined by the Board having regard to the overall amount of executive remuneration.

The combination of these comprises the executives' total remuneration. The Board believes that this remuneration framework ensures that remuneration outcomes link to company performance and the long-term interests of shareholders.

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are undertaken.

The executive remuneration for the Executive Chairman was determined by the Nomination & Remuneration Committee, having regard to the additional responsibilities required in his executive capacity. It comprises fixed remuneration only.

Short term incentives (STIs)

No STIs were awarded to executives during the year following the changes in key management personnel that occurred.

From FY20, senior executives' entitlement to an STI will be based upon achievement of agreed performance objectives including:

- Financial performance
- Operational performance
- Strategy and innovative initiatives
- Workplace health and safety
- Risk mitigation and management.

Actual performance criteria may vary between executives, having regard to their roles and responsibilities.

Long term incentives (LTIs)

Equity instruments may be granted under the Omnibus Equity Plan (OEP) which was adopted on 23 November 2017. Each equity instrument entitles the participant to subscribe for one ordinary share in the Company. The specific terms of a grant are set out in an offer from the Company to the executive which contains details of the application price (if any), the expiry date, the exercise price, the vesting date, any applicable performance conditions and other specific terms.

No LTIs were awarded to executives during the year due to the changes of key management personnel that occurred. The Board is currently considering the implementation of LTIs for executives for FY20.

During the year, share rights and options granted to the former Chief Financial Officer (Paul Cochrane) lapsed as a result of his resignation. At 30 June 2019 there were no share rights or options outstanding (2018: 319,375 share rights and 500,000 options).

Directors' Report

DETAILS OF REMUNERATION

The names of persons who were key management personnel of Eureka at any time during the financial year are shown in the following table. At the date of this report and during the year, the key management personnel of the Group are:

Name	Role	Period in role/s
Directors		
Murray Boyte	Executive Chair	24 November 2017 – ongoing
Sue Renkin	Non-Executive Director	24 November 2017 – ongoing
Lachlan McIntosh	Non-Executive Director	20 July 2009 – ongoing
Russell Banham	Non-Executive Director	21 November 2018 - ongoing
Nirmal Hansra	Non-Executive Director	24 April 2012 – 21 November 2018
Executives		
Cameron Taylor	Chief Operating Officer	18 March 2019 - ongoing
Tracey Champion	Chief Financial Officer	21 January 2019 - ongoing
Paul Cochrane	Chief Financial Officer	28 June 2017 – 21 December 2018

Details of the remuneration of the Group's key management personnel for the years ended 30 June 2019 and 30 June 2018 are set out in the following tables:

	Short term		Post employment	Share based payments	Termination benefits	Total	Performance related	% of bonus that was achieved
	Salary/fees	Bonus	Super-annuation					
	\$	\$	\$	\$	\$	\$	%	
30 June 2019								
Directors								
Murray Boyte ¹	324,082	-	20,531	-	-	344,613	-	-
Sue Renkin	59,361	-	5,639	-	-	65,000	-	-
Lachlan McIntosh	65,000	-	-	-	-	65,000	-	-
Russell Banham ²	36,600	-	3,477	-	-	40,077	-	-
Nirmal Hansra ²	25,000	-	-	-	-	25,000	-	-
Directors Total	510,043	-	29,647	-	-	539,690		
Executives								
Tracey Champion ²	91,540	-	8,075	-	-	99,615	-	-
Cameron Taylor ²	82,768	-	6,084	-	-	88,852	-	-
Paul Cochrane ²	139,452	-	13,062	(11,967)	-	140,547	-	-
Executives Total	313,760	-	27,221	(11,967)	-	329,014		
Total	823,803	-	56,868	(11,967)	-	868,704		

¹ Murray Boyte's remuneration includes his chairman's fee of \$120,000 per annum and an additional \$216,000 per annum for the period he is Executive Chair.

² Key management personnel for part of the year only.

Directors' Report

	Short term		Post employment	Share based payments	Termination benefits	Total	Performance related %	% of bonus that was achieved
	Salary/fees \$	Bonus \$	Super-annuation \$					
30 June 2018								
Directors								
Murray Boyte ^{1,2}	86,407	-	8,209	-	-	94,616	-	-
Nirmal Hansra	60,000	-	-	-	-	60,000	-	-
Robin Levison ²	70,000	-	-	-	-	70,000	-	-
Lachlan McIntosh	60,000	-	-	-	-	60,000	-	-
Sue Renkin ²	31,823	-	3,023	-	-	34,846	-	-
Directors Total	308,230	-	11,232	-	-	319,462		
Executives								
Paul Cochrane	278,779	77,568	25,924	11,997	-	394,268	20%	74%
Jeff Weigh ²	342,744	215,880	35,886	-	136,667	731,177	30%	74% ⁸
Executives Total	621,523	293,448	61,810	11,997	136,667	1,125,445		
Total	929,753	293,448	73,042	11,997	136,667	1,444,907		

¹ Murray Boyte's remuneration includes his chairman's fee of \$120,000 per annum and an additional \$216,000 per annum for the period he is Executive Chair.

² Key management personnel for part of the year only.

(b) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. The Nomination & Remuneration Committee reviews non-executive directors' fees and payments annually. Non-executive directors do not receive share options or other incentives.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$450,000 in aggregate which provides the Board with flexibility to appoint additional directors to broaden the skill base of the Board collectively.

The annual non-executive directors' fees paid by the Company are \$120,000 per annum for the chairman and \$70,000 per annum for other non-executive Directors. Non-executive directors' fees were increased from \$60,000 per annum with effect from 1 January 2019. Directors may also be reimbursed for travelling and other expenses incurred in connection with their Company duties.

(c) SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director. Remuneration and other terms of employment for the Chief Operating Officer, Chief Financial Officer and other key management personnel are formalised in service agreements.

The details of these agreements for executive key management personnel are as follows:

Cameron Taylor (Chief Operating Officer)
Agreement Commenced 18 March 2019

Term of the Agreement:

The agreement has no fixed term and may be terminated by either the Company or Mr Taylor with 2 months' notice or without notice by the Company in the event of a material breach or misconduct by Mr Taylor.

Details:

Mr Taylor's remuneration comprises a base salary of \$285,000 (inclusive of 9.5% superannuation), additional car allowance of \$25,000 and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives of up to 30% of his base salary. His entitlement to long term incentives is currently being considered by the Board. Mr Taylor is responsible for management of the Group's operations and reports to the Executive Chairman.

Directors' Report

Tracey Campion (Chief Financial Officer)
Agreement Commenced 21 January 2019

Term of the Agreement:

The agreement has no fixed term and may be terminated by either the Company or Ms Campion with 2 months' notice or without notice by the Company in the event of a material breach or misconduct by Ms Campion.

Details:

Ms Campion's remuneration comprises a base salary of \$220,000 (inclusive of 9.5% superannuation) and certain benefits such as car parking, mobile phone expenses and use of laptop. Her remuneration also comprises additional short-term incentives of up to 20% of her base salary. Her entitlement to long term incentives is currently being considered by the Board. Ms Campion is responsible for the accounting and finance functions of the Company and its associated companies. Ms Campion reports to the Executive Chairman.

Paul Cochrane (former Chief Financial Officer)
Agreement Commenced 28 June 2017 and ceased on 21 December 2018

Term of the Agreement:

The agreement had no fixed term and was able to be terminated by either the Company or Mr Cochrane with 3 months' notice or without notice by the Company in the event of a material breach or misconduct by Mr Cochrane.

Details:

Mr Cochrane's remuneration comprised a base salary of \$275,000 plus 9.5% superannuation and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprised additional short-term incentives equal to 35% of his base salary and long-term incentive equal to 35% of his base salary. In addition, the Board had approved that in the event of termination of employment arising from the change of control during the 3 years from the date of employment, the Company would pay 6 months of fixed remuneration. Mr Cochrane was responsible for the accounting and finance functions of the Company and its associated companies.

(d) RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following table shows the revenue, net profit before tax, EBITDA¹, earnings per share, share price and dividend per share for the past 5 years of the Company.

	2019	2018	2017	2016	2015
Total Revenue and Income \$'000	25,786	22,574	24,053	19,106	10,851
Net Profit/(loss) before tax \$'000	6,794	(276)	6,538	10,467	3,105
EBITDA ¹ prior to asset revaluations \$'000	7,832	7,054	8,379	7,977	2,956
Earnings per share (cents per share)	2.95	(0.12)	2.84	5.19	2.24
Share price at year end	0.26	0.28	0.37	0.79	0.51
Dividend per share	0.00	0.00	0.00	0.00	0.00

¹ EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure however, the Directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

(e) REMUNERATION CONSULTANTS

The Group did not engage any remuneration consultants during the 2019 financial year.

(f) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

Shares held

The numbers of securities held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Directors' Report

	Balance 1 July 2018	Shares acquired	Ceased employment	Shares disposed	Balance 30 June 2019
Directors					
Murray Boyte	-	250,000	-	-	250,000
Sue Renkin	-	-	-	-	-
Lachlan McIntosh	11,916,166	-	-	(5,216,028)	6,700,138
Russell Banham	-	-	-	-	-
Nirmal Hansra	839,834	-	(839,834)	-	-
Executives					
Cameron Taylor	-	-	-	-	-
Tracey Campion	-	-	-	-	-
Paul Cochrane	-	-	-	-	-
Total	12,756,000	250,000	(839,834)	(5,216,028)	6,950,138

Options and share rights held

There were no options or share rights granted as compensation to key management personnel during the year. No options vested during the financial year.

During the year, 319,375 share rights (\$55,138 fair value at grant date) and 500,000 options (\$7,210 fair value at grant date) granted to the former Chief Financial Officer (Paul Cochrane) lapsed as a result of his resignation.

Value of options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management personnel is detailed below.

Options granted	Value of options granted in the year	Value of options exercised in year	Value of options lapsed in the year
Paul Cochrane	-	-	(\$7,210)
	-	-	(\$7,210)

Value of share rights

The movement during the reporting period, by value, of share rights in the Company held by each key management personnel is detailed below.

Share rights granted	Value of share rights granted in the year	Value of share rights exercised in year	Value of share rights lapsed in the year
Paul Cochrane	-	-	(\$55,138)
	-	-	(\$55,138)

Directors' Report

Reconciliation of options and share rights held by key management personnel

The table below shows a reconciliation of options held by each KMP during the financial year.

	Balance at start of year			Balance at end of year				
	Vested	Unvested	Granted as compensation	Vested	Exercised	Forfeited	Vested and exercisable	Unvested
Paul Cochrane	-	500,000	-	-	-	(500,000)	-	-
Total	-	500,000	-	-	-	(500,000)	-	-

The table below shows how many share rights were granted, vested and forfeited during the year.

	Balance at start of year	Granted during year	Vested	Forfeited	Balance at end of year
Paul Cochrane	319,375	-	-	(319,375)	-
Total	319,375	-	-	(319,375)	-

(g) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

As part of the settlement and re-negotiated terms that were agreed with respect to the Group's interests in Couran Cove on South Stradbroke Island, a loan of \$0.35 million was assumed by Lachlan McIntosh in his personal capacity and is due for repayment on 31 December 2019. Interest has accrued at an average rate of 8.96% per annum and repayments of \$0.06 million were received during the year. The balance of the loan receivable at 30 June 2019 was \$0.31 million.

Mr McIntosh is also a guarantor of the West Cabin Loan. The balance of the loan receivable at 30 June 2019 was \$0.32 million.

Further details about these loans are contained in Note 28.

There were no other loans to any director or other key management personnel at any time during the year and prior year.

(h) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES DURING THE YEAR

Griffith Scenic Village Pty Ltd

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$7,038 on commercial terms (2018: \$6,263). As at 30 June 2019 the amount outstanding from Griffith Scenic Village Pty Ltd was \$nil (2018: \$nil).

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid \$22,178 for a manager's unit rental fees on commercial terms (2018: \$22,178). As at 30 June 2019 the amount outstanding to Griffith Scenic Village Pty Ltd was \$nil (2018: \$nil).

Leisure Living Gladstone Pty Ltd

Leisure Living Gladstone Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$16,411 on commercial terms (2018: \$14,846). As at 30 June 2019 the amount outstanding from Leisure Living Gladstone Pty Ltd was \$nil (2018: \$nil).

Leisure Living Gladstone Pty Ltd, an entity associated with Lachlan McIntosh, was paid \$29,229 for a manager's unit rental fees on commercial terms (2018: \$29,229). As at 30 June 2019 the amount outstanding to Leisure Living Gladstone Pty Ltd was \$nil (2018: \$nil).

22 Resolution Pty Ltd

22 Resolution Pty Ltd, an entity associated with Lachlan McIntosh, earned \$33,000 in project consulting fees (2018: \$nil). At 30 June 2019, the amount outstanding to Lachlan McIntosh was \$33,000 (2018: \$nil).

This concludes the remuneration report, which has been audited.

Directors' Report

SHARES UNDER OPTION & PERFORMANCE RIGHTS

There were no unissued ordinary shares of Eureka Group Holdings Limited under option and no performance rights on issue as at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During or since the end of the financial year, the Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION AND INSURANCE OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave 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 of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

Ernst & Young were engaged to review and advise the Group on GST related matters during the year. Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out in Note 32.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 32 do not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

No officers of the Company were partners of Ernst & Young at the time they undertook the audit of the Company.

ROUNDING OF AMOUNTS

The amounts contained in the financial and directors' report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 79.

Directors' Report

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Murray Boyte', is positioned above the name and title of the signatory.

Murray Boyte
Executive Chair

Dated in Brisbane this 30th day of August 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Rental income	3	15,847	15,674
Catering income	3	4,257	4,274
Service and caretaking fees	3	3,132	2,626
Revenue from asset sales - inventory	3	2,550	-
Finance income		57	41
Other income	3	101	597
Property expenses		(11,658)	(11,910)
Cost of sales - inventory		(2,550)	-
Employee expenses		(2,191)	(1,884)
Finance costs	4	(2,766)	(2,753)
Marketing expenses		(187)	(136)
Depreciation & amortisation	4	(225)	(251)
Other expenses		(2,238)	(2,147)
Net gain/(loss) on change in fair value of:			
Investment property	14	2,253	(1,439)
Other assets		(300)	(253)
Impairment of Couran Cove assets	28	-	(2,887)
Share of profit of a joint venture	13	712	172
Profit/(loss) before income tax expense		6,794	(276)
Income tax expense	5	-	-
Profit/(loss) after income tax expense		6,794	(276)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		6,794	(276)
Basic and diluted earnings per share (cents per share)	25	2.95	(0.12)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

		30 June 2019 \$'000	30 June 2018 \$'000
	Note		
Current Assets			
Cash and cash equivalents	21	3,060	1,986
Trade and other receivables	6	391	142
Inventory	7	9,215	11,783
Other assets	9	1,464	1,469
Loans receivable	11	698	2,332
		<u>14,828</u>	<u>17,712</u>
Non-current assets held for sale	8	519	1,750
Total current assets		<u>15,347</u>	<u>19,462</u>
Non-Current Assets			
Loans receivable	11	414	456
Joint Venture Investment	13	4,661	4,672
Other assets	9	1,237	1,237
Investment property	14	105,406	100,756
Property, plant and equipment	15	659	682
Intangible assets	16	5,348	6,035
Total non-current assets		<u>117,725</u>	<u>113,838</u>
Total Assets		<u>133,072</u>	<u>133,300</u>
Current Liabilities			
Trade and other payables	17	1,672	2,709
Other financial liabilities	19	2,372	163
Provisions	18	416	399
Total current liabilities		<u>4,460</u>	<u>3,271</u>
Non-current liabilities			
Other financial liabilities	19	47,118	55,320
Provisions	18	12	9
Total non-current liabilities		<u>47,130</u>	<u>55,329</u>
Total Liabilities		<u>51,590</u>	<u>58,600</u>
Net Assets		<u>81,482</u>	<u>74,700</u>
Equity			
Share capital	20	94,352	94,352
Equity reserve	20	-	12
Accumulated losses		(12,870)	(19,664)
Total Equity		<u>81,482</u>	<u>74,700</u>

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 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Cash Flows from Operating Activities			
Receipts from customers		23,925	24,439
Payments to suppliers & employees		(17,150)	(17,456)
Interest received		3	8
Interest paid		(2,033)	(2,777)
Net Cash provided by Operating Activities	21(b)	4,745	4,214
Cash Flows from Investing Activities			
Payments for additions to investment property		(1,589)	(8,704)
Payments for additions to inventory		(1,270)	(1,688)
Payments for property, plant & equipment		(61)	(30)
Payments for Joint Venture investment		-	(4,500)
Proceeds from sale of assets held for sale		1,100	2,200
Proceeds from sale of inventory		2,550	160
Proceeds from sale of investment property		-	1,335
Proceeds from the sale of intangible assets		606	312
Proceeds from the sale of property, plant & equipment		4	-
Proceeds from repayments of loans provided		1,660	335
Payment of residential obligation loans		-	(832)
Net Cash provided by/(used) in Investing Activities		3,000	(11,412)
Cash Flows from Financing Activities			
Proceeds from borrowings		-	9,425
Repayment of borrowings		(6,605)	(4,559)
Payments of transaction costs related to borrowings		(66)	(75)
Payments for share issue and buy back transaction costs		-	(2)
Net Cash provided by/(used in) Financing Activities		(6,671)	4,789
Net increase/(decrease) in cash and cash equivalents		1,074	(2,409)
Cash and cash equivalents at the beginning of the financial year		1,986	4,395
Cash and cash equivalents at the end of the financial year	21(a)	3,060	1,986

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 2019

	Note	Share Capital \$'000	Accumulated Losses \$'000	Equity Reserves \$'000	Total \$'000
For the year ended 30 June 2019					
Balance at 1 July 2018		94,352	(19,664)	12	74,700
Profit for the year		-	6,794	-	6,794
Total comprehensive income for the year		-	6,794	-	6,794
<i>Transactions with owners in their capacity as owners:</i>					
Cancellation of share rights and options	20	-	-	(12)	(12)
Balance at 30 June 2019		94,352	(12,870)	-	81,482
For the year ended 30 June 2018					
Balance at 1 July 2017		94,255	(19,388)	-	74,867
Loss for the year		-	(276)	-	(276)
Total comprehensive loss for the year		-	(276)	-	(276)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	20	100	-	-	100
Share based payment	20	-	-	12	12
Capital raising costs	20	(3)	-	-	(3)
Balance at 30 June 2018		94,352	(19,664)	12	74,700

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1. INTRODUCTION

The financial statements cover Eureka Group Holdings Limited and its subsidiaries (“EGH” or the “Group” or the “Consolidated Entity”) for the year ended 30 June 2019. Eureka Group Holdings Limited is a company incorporated and domiciled in Australia. EGH is a for-profit entity for the purposes of preparing the financial statements.

The Group’s operations and principal activities comprise ownership and property management of senior independent living communities.

The financial report is presented in Australian dollars. The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191’, issued by the Australian Securities and Investments Commission, relating to ‘rounding-off’. Amounts in this report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The registered office of the company is Suite 2D 7 Short St, Southport QLD 4215

The financial report was authorised for issue on 30 August 2019 by the Directors.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies adopted by the Group, comprising the parent entity Eureka Group Holdings Limited and its subsidiaries, are stated in order to assist in the general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The consolidated financial report of EGH complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

New, revised and amended Accounting Standards adopted by the Group

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

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all existing revenue recognition accounting standards and interpretations. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For goods, the performance obligation is satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Sufficient quantitative and qualitative disclosures are required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group adopted AASB 15 on 1 July 2018, using the full retrospective method of adoption. The effect of adopting AASB 15 was not material for the Group:

- In respect to revenue from contracts with residents for the provision of catering services, revenue recognition generally includes only one performance obligation. The Group concluded that the revenue from the provision of catering services should be recognised at a point in time when services are provided to the resident. Adoption of AASB 15 did not have an impact on timing, measurement and recognition of revenue.
- In respect to revenue from management and caretaking services, revenue is recognized over time. The customer simultaneously receives and consumes the benefits provided by the entity. Adoption of AASB 15 did not have an impact on timing, measurement and recognition of revenue.
- In respect to revenue from the provision of support services, revenue is recognized over time. The customer simultaneously receives and consumes the benefits provided by the entity. Adoption of AASB 15 did not have an impact on timing, measurement and recognition of revenue.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

- In respect to revenue from rental of units in owned villages, AASB 117 *Leases* rather than AASB 15 is the applicable accounting standard, and therefore the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for reporting beginning on or after 1 January 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted AASB 9 on 1 July 2018 using the modified retrospective method of adoption. The effect of adopting AASB 9 was not material for the Group.

Current and non-current financial assets and liabilities within the scope of AASB 9 are classified as fair value through profit or loss, fair value through other comprehensive income or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method.

The Group's financial assets at amortised cost includes trade and other receivables and loan receivables. The principal related to trade and other receivables is deemed to be the amount resulting from the transaction in the scope of AASB 15. The Group determines that trade receivables do not include a significant financing component and hence, there is no interest to be recognised.

Under AASB 9, the Group's impairment allowances are now to be based on a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans not held at FVPL. The Group's previously applied impairment assessment which incorporated historical experiences, resulted in similar impairment expectations under the forward looking ECL approach.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties and derivative financial instruments.

CONSOLIDATION

This financial report covers the consolidated entity consisting of Eureka Group Holdings Limited and its controlled entities. Eureka Group Holdings Limited is the ultimate parent entity.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2019 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

BUSINESS COMBINATIONS

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the differences relating to investments in subsidiaries to the extent that it is probable that it will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 Eureka Group Holdings Limited.

Current income tax expense, 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 recognises 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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 by 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.

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.

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.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at original invoice amount, and subsequently adjusted for Expected Credit Loss (ECL). An allowance is recognised by analysing the age of outstanding balances and applying historical default percentages. Historical loss rates are adjusted to reflect forward-looking observable data affecting the ability of customers to settle debts.

INVESTMENT PROPERTY

Land and buildings have the function of investment and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property is recognised in profit or loss in the period in which they arise.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Transfers are made to (or from) investment property to inventory only when there is a change in use. For a transfer from investment property to inventory, the deemed cost for subsequent accounting is the fair value at the date of change in use. If inventory becomes an investment property, the Group accounts for it in accordance with the policy stated under inventory up to the date of change in use.

It is the Group's policy to have all investment properties externally valued at intervals of not less than three years or a third of the properties each year. Internal valuations are undertaken with reference to current market conditions and available information for those investment properties not externally valued at each reporting date. It is the policy of the Group to review the fair value of each investment property at each reporting date.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

INVESTMENT IN JOINT VENTURE

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

PROPERTY PLANT & EQUIPMENT

Property plant and equipment is 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 Group. Rates used for each class of asset are:

Class	Rate	Method
Plant and equipment	6-33%	SL/DV
Buildings	2.5%	SL

INTANGIBLE ASSETS

Only intangible assets that have been purchased or paid for by the Group are recognised in the accounts.

Management rights and letting rights have a finite life and 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 (for strata-titled villages), or over the period of the management rights contract (for single-owner villages).

Rent rolls have a finite life and are carried at the lower of cost or recoverable amount. Rent rolls are amortised using the straight line method over 15 years being the estimated useful life.

Other intangible assets relate to sundry operational licences. These assets have an indefinite life as their renewal and maintenance is routine.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, instead goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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. Impairment losses for goodwill are not subsequently reversed.

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FOR THE YEAR ENDED 30 JUNE 2019

IMPAIRMENT OF ASSETS

Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Except for goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FAIR VALUE MEASUREMENT

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES

Current and non-current financial assets and liabilities within the scope of AASB 9 are classified as fair value through profit or loss, fair value through other comprehensive income or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. The application of the standard does not have any material impact on the Group's financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of the disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group 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.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

EMPLOYEE BENEFITS

Short-term Employee Benefits

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities 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.

Long-term Employee Benefits

The liabilities for annual leave and long service leave expected to not be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 corporate bond rates with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

Share based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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FOR THE YEAR ENDED 30 JUNE 2019

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

PROVISIONS

Provisions are recognised when the Group 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.

RETIREMENT VILLAGE RESIDENT LOANS

These loans, which are repayable on the departure of the resident, are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. The loans do not meet the solely payments of principal and interest criteria. The fair value of the obligation is measured as the ingoing contribution plus the resident's share of capital appreciation to reporting date. Although the expected average residency term is between one to ten years, these obligations are classified as current liabilities, as required by Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date.

This liability is stated net of accrued deferred management fees at reporting date, because the Group's contracts with residents require net settlement of those obligations.

FINANCE COSTS

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. Finance costs incurred whilst qualifying assets 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.

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.

Receivables and payables 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.

LEASES

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in financial liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

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FOR THE YEAR ENDED 30 JUNE 2019

DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

CAPITAL MANAGEMENT

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

The Group does not have any specific capital targets and nor is it subject to any external capital restrictions. The Board and senior management meet regularly and review in detail the current cash position and cash flow forecasts having regard to planned expansions and take the necessary action to ensure sufficient funds are available.

CONTRIBUTED EQUITY

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

EARNINGS PER SHARE

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted Earnings Per Share

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

USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

Investment Property – Classification

The Group classifies property as investment property when it meets the following key criteria:

- The asset is held by the Group to generate long term investment growth and ongoing rental returns; and
- Ancillary services are insignificant to the arrangement as a whole.

Associated with these properties are insignificant ancillary services, principally the provision of food services to residents. Judgement is required as to whether the ancillary services are significant. Management has determined that the ancillary services are not significant by assessing quantitative and qualitative factors, which includes comparing the fair value of the ancillary services to the total income generated from the property, as well as operational and legislative considerations.

Properties that do not meet this criteria are classified as property, plant and equipment.

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Investment Property – Measurement

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The best evidence of fair value is current selling prices in an active market for similar investment properties. Where such information is not available, the Group determines a property's value within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- a) Valuations undertaken by accredited external independent valuers;
- b) Acquisition price paid for the property;
- c) Recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- d) Capitalised income projections based upon a property's estimated maintainable earnings and capitalisation rate derived from analysis of market evidence.

Inventory

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Goodwill

The Group tests the carrying value of goodwill on an annual basis to assess for any impairment, or more frequently, if events or changes in circumstances indicate impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 16 for further information.

Amortisation of Management Rights

Management rights are amortised over either 40 years (for strata-titled villages) or the period of the management right contract (for single-owner villages).

For strata-titled villages (where units are individually owned by third parties) where management rights are attached, the Group amortises its management rights over a period of 40 years (being the estimated useful life). The amortisation period used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. In determining the useful life, the Group considers the expected usage of the assets, the legal rights over the asset and the renewal period of the management rights agreements. The management rights are attached to each individual village's property and include options or the ability to renew the contract. Taking these points into consideration, the Directors believe the amortisation period should be similar to the life of the property rather than the agreement period.

For single-owner villages (where all units in the village are owned by a single third party) where management rights are attached, the management rights are amortised over the life of the contract. This is because Eureka has materially less control over future contract renewals than it does with the strata-titled villages. Eureka considers that it has materially less control over future contract renewals in single-owner villages primarily because it does not own or have any sort of tenure in respect of the managers unit and a single vote of the owner can elect to not renew Eureka's management rights contract.

Recovery of Receivables

At each reporting date the Group assesses the recoverability of trade, loan and other receivables by reference to the expected future cash flows, the credit worthiness of the borrowers and the value of security provided. For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Non-Current Amount Receivable and Associated Option over property

Options over property are initially measured at cost. Subsequent to acquisition, options continue to be recorded at cost, however are tested for impairment on an annual basis. Impairment is tested by reference to the assessed value of the underlying property assets or final cash settlement alternatives. Impairment losses are recorded as incurred. Should these options not be exercised and this asset revert back to a receivable it will be assessed for impairment as a loan receivable at that point in time. Refer to Note 28 for significant assumptions made in the assessment of impairment for these assets.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Recovery of Deferred Tax Assets

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

Bartercard

Bartercard assets are initially recorded at cost. At each balance date an assessment is made of the cash equivalent value obtainable on the expenditure of Bartercard. If this value exceeds cost, no adjustment is made, however if the cash price equivalent is less than cost, an impairment charge is made to this asset.

PARENT ENTITY

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33. The accounting policies of the parent entity are consistent with those of the Group, as disclosed above, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.

Financial Guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

COMPARATIVES

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted this standard. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117 *Leases*. The standard includes two recognition exemption for leases – lease of “low-value” assets (i.e. personal computers) and leases with a lease term of 12 months or less.

Under AASB 16, the distinction between finance and operating lease is eliminated for lessees (with the exception of short-term and low value leases). Both finance leases and operating leases will result in the recognition of right-of-use (ROU) asset and a corresponding lease liability on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term and the ROU asset reflects the lease liability and initial direct costs, less any lease incentives and amounts required for dismantling.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of remeasurement of the lease liability as an adjustment to ROU asset.

The Group intends to use a modified retrospective adoption approach and is currently finalising the assessment regarding the use of the practical expedients provided by the Standard. As the Group continues to evaluate this standard and the effect on related disclosures, the primary effect of adoption will be to record right-of-use assets and corresponding lease obligations for current operating leases. The adoption is expected to have a financial impact on the Group’s consolidated balance sheet, consolidated cash flow statement and statement of comprehensive income. While the assessment is progressed, there are items still under consideration (such as discount rates) before quantitative impact of this standard can be disclosed.

The Group does not expect significant changes for leases acting as lessor.

Other new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for the current reporting period and are not expected to have a material impact on the Group’s future financial reporting.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

3. REVENUE

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Rental income	15,847	15,674
Revenue from contracts with customers		
Catering – managed properties	2,105	2,193
Catering – owned properties	2,152	2,081
Total catering income	4,257	4,274
Service fees	2,334	1,762
Caretaking fees	798	864
Revenue from asset sales - inventory	2,550	-
Total Revenue from contracts with customers	9,939	6,900
Total Revenue	25,786	22,574
Other Income		
Gain on sale of investment property	-	501
Gain on sale of intangibles	69	60
Other income	32	36
	101	597

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions.

	Australia	Australia
	\$'000	\$'000
Timing of revenue recognition		
At a point in time	6,807	4,274
Over time	3,132	2,626
Total	9,939	6,900

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

4. ITEMS INCLUDED IN PROFIT/(LOSS)

Profit/(loss) before income tax expense includes the following specific items:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Rental expense relating to operating leases		
- Minimum lease payments	279	280
Finance cost		
- Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,766	2,753
Total finance cost	2,766	2,753
Amortisation		
- Management rights	146	134
- Rent rolls	3	4
- Other	2	2
Total amortisation	151	140
Depreciation		
- Plant & equipment	50	81
- Buildings	17	16
- Motor vehicles	7	14
Total depreciation	74	111
Total amortisation and depreciation	225	251
Defined contribution superannuation expense	393	431

5. INCOME TAX

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
The major components of income tax expense for the years ended 30 June 2019 and 2018 are:		
<i>Consolidated Statement of Profit or Loss</i>		
Current income tax	-	-
Deferred income tax	-	-
Income tax expense reported in the Statement of Profit or Loss	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

A reconciliation of tax expense and the accounting profit/(loss) multiplied by the applicable tax rate of 30% presents as follows:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Accounting profit/(loss) before tax	6,794	(276)
Income tax calculated at 30%	(2,038)	(83)
Tax effect of permanent differences – non deductible land option amounts	-	533
Recognition of deferred tax assets not previously recognised	2,038	(450)
Income tax expense reported in the Statement of Profit or Loss	-	-

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Trade receivables	88	132
Other debtors	303	186
Provision for expected credit loss	-	(176)
	<u>391</u>	<u>142</u>

Trade receivables are non-interest bearing unless otherwise stated and are generally on 30 day terms.

7. INVENTORY

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Terranora units	9,215	9,783
Couran Cove units	-	2,000
	<u>9,215</u>	<u>11,783</u>

During the year, the Terranora manager's unit was transferred to Investment property at fair value (\$0.60 million) and two units were sold for a total consideration of \$0.54 million. The cost of additional development at Terranora are capitalised to the inventory as incurred. The inventory is expected to be realised within 12 months via sales to third parties.

The sale of the Couran Cove units was completed during the year for a cash consideration of \$2.01 million. Details are contained in Note 28.

8. NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Current		
Non-current assets held for sale	519	1,750
	<u>519</u>	<u>1,750</u>

At 30 June 2019, this asset comprised two residential houses in Mt Gambier. Subsequent to year end, contracts for their sale have been executed, with settlement expected to be completed in September 2019. The combined carrying value at 30 June 2019 reflects the contract prices less selling costs.

The sale of Lambert Village in Mt Gambier was completed on 18 January 2019 for a consideration of \$1.10 million which equated to the carrying value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

9. OTHER ASSETS

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Prepayments and other assets (i)	871	842
Bartercard (ii)	593	627
	<u>1,464</u>	<u>1,469</u>
Non-current		
Couran Cove land option (iii)	1,237	1,237
	<u>1,237</u>	<u>1,237</u>

(i) Amounts included relate to prepaid expenses, deposits for assets and other operational assets used in ordinary business activities.

(ii) Bartercard is an alternative currency and operates as a trade exchange. EGH has utilised Bartercard over recent years. At 30 June 2019, the Bartercard balance is \$0.59 million, which is recorded at cost. In addition, amounts of Bartercard have been advanced to suppliers in exchange for future supply of goods. These are recorded at the fair value of goods to be received and are disclosed in prepayments and other assets (\$0.46 million) and Investment Property (\$0.71 million).

(iii) Couran Cove
Details about the Couran Cove land option are contained in Note 28.

10. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Recognised in the Statement of Financial Position		
<i>Deferred tax assets</i>		
Tax losses	5,884	4,330
<i>Deferred tax liabilities</i>		
Intangible assets	-	-
Investment properties, property, plant and equipment	(6,421)	(5,049)
Net (assessable) and deductible differences on sundry items	537	719
Net deferred tax assets/liability opening balance adjustment	<u>-</u>	<u>-</u>
Not recognised in the Statement of Financial Position		
<i>Unrecognised deferred tax assets</i>		
Tax losses		
Net (assessable) and deductible differences on sundry items	<u>-</u>	<u>-</u>
Net unrecognised deferred tax assets	<u>2,589</u>	<u>4,205</u>
Reconciliation of Unrecognised tax balances		
Opening unrecognised amounts	4,205	3,968
Recognition of temporary differences	-	-
Recognition and use of tax losses	(2,013)	(181)
Adjustment to prior period balances	397	418
Total movement	<u>(1,616)</u>	<u>237</u>
Closing balance	<u>2,589</u>	<u>4,205</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items until it is probable that future taxable profits will be available against which the Group can utilise these benefits. The benefits of the Group's recognised and unrecognised tax losses will only be realised if:

- the Group continues to meet the requirements of applicable tax laws to allow the losses to be carried forward and utilised;
- the Group earns taxable income in future periods; and
- applicable tax laws are not changed, causing the losses to be unavailable.

11. LOANS RECEIVABLE

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Vendor finance (1)	486	528
McIntosh Loan (2)	306	-
West Cabin Loan (3)	320	-
Couran Cove receivable (3)	-	2,260
	<u>1,112</u>	<u>2,788</u>
Current	698	2,332
Non-current	414	456
	<u>1,112</u>	<u>2,788</u>

- The Group acquired a loan book as part of the purchase of Elizabeth Vale Scenic Village Pty Ltd in 2015. Security for the loans consists of a first ranking mortgage over the property to which the loan pertains. The loans have maturity dates of between 5 and 8.1 years and interest is payable on these loans at a rate of between 5.50%-6.25% per annum.
- As part of the Couran Cove settlement, which is detailed in Note 28, a new loan of \$0.35 million was assumed by Mr Lachlan McIntosh (a Director of EGH) in his personal capacity (the McIntosh Loan). The due date for repayment is 31 December 2019. The balance of the loan receivable at 30 June 2019 was \$0.31 million.

The loan is on substantially the same terms as the former loan to Couran Cove Holdings Pty Ltd. Interest accrues on the loan at the general interest charge set by the Australian Taxation Office from time to time, which for the June 2019 quarter is set at 8.96% per annum, and repayments have been made during the year.

The loan agreement provides that a fee of up to \$0.13 million may be payable by the borrower in certain circumstances. At any time prior to 31 December 2019, subject to the satisfaction of certain conditions, Eureka may issue a notice requiring payment of the fee.

The Board considers this loan to be on arm's length terms and expects that it will be repaid by the due date.

- Details about the West Cabin Loan and Couran Cove receivable are contained in Note 28.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

12. INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Equity Holding	
		30 June 2019 %	30 June 2018 %
Comptons Caboolture Pty Ltd	Australia	100%	100%
Comptons Villages Australia Unit Trust	Australia	100%	100%
Easy Living (Bundaberg) Unit Trust	Australia	100%	100%
Easy Living Unit Trust	Australia	100%	100%
ECG No. 1 Pty Ltd	Australia	100%	100%
EGL Finance Pty Ltd	Australia	100%	100%
Elizabeth Vale Scenic Village Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%
Eureka Care Communities (Morphetville) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 2) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 3) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Salisbury) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Wynnum) Pty Ltd	Australia	100%	100%
Eureka Care Communities Unit Trust	Australia	100%	100%
Eureka Cascade Gardens Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Albert Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Ayr) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Belgian Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Bowen) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Broken Hill) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Cairns) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Couran Cove) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Gladstone) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Lismore) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Margate) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Orange) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Southport) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Terranora) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Tivoli) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Townsville) Pty Ltd	Australia	100%	100%
Eureka Group Care Pty Ltd	Australia	100%	100%
Eureka Property Pty Ltd	Australia	100%	100%
Eureka Whitsunday Pty Ltd	Australia	100%	100%
Fig Investments Pty Ltd	Australia	100%	100%
Eureka Living Pty Ltd	Australia	100%	100%
Rockham Two Pty Ltd	Australia	100%	100%
Rockham Unit Trust	Australia	100%	100%
SCV Leasing Pty Ltd	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
SCV No. 1 Pty Ltd	Australia	100%	100%

There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

13. JOINT VENTURE INVESTMENT

The Group has a 50% Joint Venture (JV) interest in Affordable Living Services Unit Trust and Affordable Living Unit Trust, a JV which owns five retirement villages in Tasmania. The Group's interest in the JV is accounted for using the equity method in the consolidated financial statements. The accounting policies adopted by the JV are consistent with the Group's accounting policies. Summarised financial information of the JV, based on management accounts, and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	30 June 2019 \$'000	30 June 2018 \$'000
Movements in aggregate carrying amount:		
Opening balance	4,672	-
Investment	-	4,500
Share of profit	712	172
Distributions received	(723)	-
Closing balance	4,661	4,672

Summarised statement of financial position of Affordable Living Unit Trust:

	30 June 2019 \$'000	30 June 2018 \$'000
Current assets, including cash and cash equivalents	125	497
Non-current assets ¹	18,844	18,776
Current liabilities ²	(483)	(381)
Non-current liabilities ³	(9,166)	(9,550)
Equity	9,320	9,342
Group's share in equity – 50%	4,660	4,671
Group's carrying amount of the investment	4,660	4,671

¹ Non-current assets includes investment properties of \$18.84 million (2018: \$18.77 million).

² Current liabilities includes long term borrowings of \$0.30 million (2018: \$0.30 million).

³ Non-current liabilities includes long term borrowings of \$9.16 million (2018: 9.55 million).

Summarised statement of profit or loss of Affordable Living Unit Trust:

	30 June 2019 \$'000	30 June 2018 \$'000
Revenue	3,611	807
Cost of Sales	(1,733)	(358)
Finance costs	(456)	(107)
Profit before tax	1,422	342
Income tax expense	-	-
Profit for the year	1,422	342
Total comprehensive income for the year	1,422	342
Group's share of profit for the year	711	171

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Summarised statement of financial position of Affordable Living Services Unit Trust:

	30 June 2019 \$'000	30 June 2018 \$'000
Current assets, including cash and cash equivalents	87	210
Non-current assets	3	-
Current liabilities	(88)	(208)
Non-current liabilities	-	-
Equity	2	2
Group's share in equity – 50%	1	1
Group's carrying amount of the investment	1	1

Summarised statement of profit or loss of Affordable Living Services Unit Trust:

	30 June 2019 \$'000	30 June 2018 \$'000
Revenue	440	102
Cost of Sales	(438)	(100)
Finance costs	-	-
Profit before tax	2	2
Income tax expense	-	-
Profit for the year	2	2
Total comprehensive income for the year	2	2
Group's share of profit for the year	1	1

The joint venture had no other contingent liabilities or commitments as at 30 June 2019 (2018: nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

14. INVESTMENT PROPERTY

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Investment properties at fair value	105,406	100,756
Movements in investment properties:		
Balance at beginning of year	100,756	100,666
Acquisitions	177	6,257
Disposals	-	(791)
Capital expenditure	1,620	3,104
Transfer to inventory – Couran Cove cabins	-	(2,747)
Transfer to inventory – Terranora Manager's residence	-	(400)
Transfer to non-current assets held for sale	-	(3,894)
Transfer from inventory – Terranora Manager's residence	600	-
Net increment/(decrement) due to fair value adjustment	2,253	(1,439)
Balance at end of year	105,406	100,756

The Group's investment properties are shown individually in the table below. The investments consist of 25 retirement village assets along with associated manager's units and other rental units. The Group considers investment properties reside in one class of asset, being seniors' rental villages.

At 30 June 2019, the Group undertook a review of the fair value of all investment properties held and recorded a net revaluation gain of \$2.25 million (2018: loss of \$1.44 million). This adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed in Note 23.

The net change in fair value is recognised in profit or loss as "Net gain/(loss) on change in fair value of investment property".

Fair value hierarchy disclosures for investment properties have been provided in Note 23.

Amounts recognised in profit or loss for investment property:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Rental income	15,847	15,674
Direct operating expenses generating rental income	(9,500)	(9,596)
Net gain/(loss) on revaluation of investment property to fair value	2,253	(1,439)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Certain assets are pledged as security for borrowings – Refer to Note 19(a).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying amount	Carrying amount
			30 Jun 19 \$'000	30-Jun-18 \$'000
Koinonia Village	Ayr QLD	Aug-17	1,260	1,245
92 Primrose Street Belgian Gardens	Belgian Gardens QLD	Jun-16	1,382	1,364
61 Marana Street Bilambil Heights (Terranora)	Bilambil Heights NSW	Dec-15	2,900	2,300
Bowen Village	Bowen QLD	Dec-15	1,543	1,523
Broken Hill Village	Broken Hill NSW	Dec-16	2,016	1,979
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	5,060	5,250
Lot 43 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	May-14	268	268
80 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	271	265
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,680	4,610
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	301	299
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	5,662	5,237
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	4,740	4,350
Rockhampton Village 1	Frenchville QLD	Oct-15	3,010	3,054
Rockhampton Village 2	Frenchville QLD	Dec-15	5,520	5,485
15/8 Wicks Street, New Auckland	Gladstone QLD	Sep-16	50	50
Freshwater Villas	Gympie QLD	Jul-17	4,400	4,367
Lot 49 Hackham Community Centre (manager's unit)	Hackham SA	Oct-14	266	266
Lot 97 144 Main South Road Hackham	Hackham SA	May-15	285	285
33 Mardross Court Lavington	Lavington NSW	Jun-15	4,700	4,034
Lismore Village	Lismore NSW	May-15	5,657	5,000
Cascade Gardens Mackay	Mackay QLD	Apr-14	9,156	8,493
43 Macdonnell Court Margate	Margate QLD	Jun-16	4,217	4,187
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	4,550	4,052
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	3,314	3,830
Albert Street Gardens Village	Orange NSW	Sep-16	5,338	5,318
Salisbury	Salisbury East SA	Feb-16	4,094	3,656
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	4,290	4,138
7 Meron Street Southport	Southport QLD	Jun-16	4,233	4,219
Lot 6,8,9,20,21&22 56A Moores Pocket Road Tivoli	Tivoli QLD	Mar-15	541	535
Galilee Lodge	Townsville QLD	Aug-17	922	917
Myall Place Retirement Village	Whyalla SA	Jan-15	4,527	4,340
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,540	5,090
Investment Property Enhancements	In Progress	Jun-17	714	750
			105,406	100,756

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

15. PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Buildings at cost	619	625
Accumulated depreciation	(202)	(191)
	<u>417</u>	<u>434</u>
Plant & equipment at cost	302	345
Accumulated depreciation	(124)	(134)
	<u>178</u>	<u>211</u>
Motor Vehicles at cost	81	54
Accumulated depreciation	(17)	(17)
	<u>64</u>	<u>37</u>
Total property, plant & equipment	<u><u>659</u></u>	<u><u>682</u></u>

Reconciliation of movements in property, plant & equipment:

	Buildings	Plant &	Motor	Total
	\$'000	Equipment	Vehicle	\$'000
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2017	451	1,146	68	1,665
Additions at cost	-	35	-	35
Disposals	-	(890)	(17)	(907)
Depreciation expense	(17)	(80)	(14)	(111)
Closing balance at 30 June 2018	<u>434</u>	<u>211</u>	<u>37</u>	<u>682</u>
Opening balance at 1 July 2018	434	211	37	682
Additions at cost	-	17	41	58
Disposals	-	-	(7)	(7)
Depreciation expense	(17)	(50)	(7)	(74)
Closing balance at 30 June 2019	<u>417</u>	<u>178</u>	<u>64</u>	<u>659</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

16. INTANGIBLE ASSETS

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Management rights – at cost	4,695	4,695
Accumulated amortisation	(1,404)	(1,258)
Carrying amount of management rights	3,291	3,437
Rent rolls – at cost	140	140
Accumulated amortisation	(45)	(42)
Carrying amount of rent rolls	95	98
Other intangibles – at cost	41	577
Accumulated amortisation	(34)	(32)
Carrying amount of other intangibles	7	545
Goodwill	1,955	1,955
Total intangible assets	5,348	6,035

The Group's business activities include the ownership and management (through management rights agreements) of seniors' rental accommodation throughout Australia. The Group's intangible assets are management rights and goodwill. These intangible assets, although separately classified in accordance with accounting standards, relate to the management of seniors' rental accommodation. The separate categorisation of these assets has arisen from acquisitions.

During the year, the Group divested certain trading and operating licences. These were included in other intangibles.

Impairment tests for Goodwill

Goodwill is monitored by the Board of Directors (who are identified as the chief operating decision makers) based on the net profit of the villages that EGH manages, after allowing for overhead costs attributable to the management of these villages. Goodwill has been allocated to the property management cash generating unit.

The Group tests goodwill for impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions.

The calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long term growth rate.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

- cash flows were projected over a five year period by applying a 2% growth rate (2018: 2%) to the most recent year's cash flows;
- the terminal value was calculated using a growth rate of 2% (2018: 2%);
- cash flows have been discounted using a pre-tax discount rate of 15% (2018: 15%);
- cash flows do not take into account the management of any new villages; and
- cash flows are based on historical results.
- existing management contracts had a cash flow estimate based on current earnings applied to a multiple applied from an independent management rights broker.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Reconciliation of movements in intangible assets:

	Management Rights \$'000	Rent Rolls \$'000	Goodwill \$'000	Other intangibles \$'000	Total \$'000
Opening balance at 1 July 2017	3,471	102	1,955	799	6,327
Additions at cost	100	-	-	-	100
Transfer to assets held for sale	-	-	-	(252)	(252)
Amortisation expense	(134)	(4)	-	(2)	(140)
Closing balance at 30 June 2018	3,437	98	1,955	545	6,035
Opening balance at 1 July 2018	3,437	98	1,955	545	6,035
Additions at cost	-	-	-	-	-
Disposals	-	-	-	(536)	(536)
Amortisation expense	(146)	(3)	-	(2)	(151)
Closing balance at 30 June 2019	3,291	95	1,955	7	5,348

The remaining amortisation period for the management rights, on a weighted average basis, is 20 years (2018: 21 years).

17. TRADE & OTHER PAYABLES

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Trade creditors and accruals	1,367	2,255
Retirement Village Resident Loans	98	96
Acquisition related accruals	207	358
	1,672	2,709

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short term nature.

18. PROVISIONS

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Employee benefits	416	399
	416	399
Non-current		
Employee benefits	12	9
	12	9

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FOR THE YEAR ENDED 30 JUNE 2019

19. OTHER FINANCIAL LIABILITIES

		Consolidated	
		30 June 2019 \$'000	30 June 2018 \$'000
Current			
Commercial bills – secured	(a)	2,262	17
Insurance funding		110	144
Finance lease		-	1
Motor vehicle loan		-	1
		<u>2,372</u>	<u>163</u>
Non-current			
Commercial bills – secured	(a)	47,471	55,837
Borrowing costs		(353)	(517)
		<u>47,118</u>	<u>55,320</u>

(a) Commercial bills - secured

As at 30 June 2019, the balance included accrued interest of \$0.50 million (2018: \$0.02 million) and the Group has access to the following facilities:

National Australia Bank (“NAB”):

- Maximum limit of \$55.00 million. Interest is payable at a fixed rate of 4.97% on \$35.0 million and at variable rates (currently 3.27%) on the remaining drawn amount. The facility expires on 31 December 2021. Quarterly interest only repayments are required. At 30 June 2019, total drawings on the facility were \$47.47 million.
- The facility was renegotiated during the year, with two facilities being consolidated into one facility maturing on 31 December 2021. This represented a two year extension for a \$20.00 million component of the facility.
- Prior to the consolidation, the details of the facilities were as follows:

Facility 1 – maximum limit of \$24.5 million until 29 September 2018, reducing to \$20.0 million until 31 December 2019. The reduction of the facility limit did not require the repayment of any drawn debt within 12 months of 30 June 2018. Interest was payable at a variable rate on this facility (2018: 4.31%). At 30 June 2018, \$19.1 million had been drawn on the facility.

Facility 2 – maximum limit of \$35.0 million, expiring on 31 December 2021. Monthly interest only repayment. Interest on this facility was fixed until 31 December 2021. Interest was payable at the rate of 4.97%.

At 30 June 2018, total drawings on these facilities were \$54.1 million.

Westpac Banking Corporation (“Westpac”):

- Commercial bill – secured fully drawn limit of \$1.76 million (2018: \$1.76 million). The facility expires on 29 November 2019 and it is the Group’s intention to refinance the loan with NAB upon expiry. Interest is payable at a variable rate on this facility (currently 4.87% (2018: 5.44%).

The NAB facilities and the Westpac facility are secured against the Group’s property assets of \$115.15 million (2018: \$114.29 million). This value represents the carrying value of assets pledged by the Group.

The commercial bill facilities are subject to covenants which are commensurate with normal secured lending terms.

The Group complied with its covenants throughout the current and prior year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

20. SHARE CAPITAL AND RESERVES

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.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

	Consolidated			
	30 June 2019 Number	30 June 2019 \$'000	30 June 2018 Number	30 June 2018 \$'000
Balance at start of year	230,037,638	94,352	229,671,923	94,255
Shares issued at \$0.273 for acquisition of management rights	-	-	365,715	100
Capital raising costs	-	-	-	(3)
On issue at end of the year	230,037,638	94,352	230,037,638	94,352

Share Buy Back

The Company extended the share buy back period for a further 1 year from 16 March 2019. No ordinary shares were bought back and cancelled during the year (2018: nil).

Equity Reserves

Share based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 26 for further details of these plans.

	Share based payments
	\$000
As at 1 July 2017	-
Share-based payments expense during the year	12
At 30 June 2018	12
Share options and share rights forfeited during the year	(12)
At 30 June 2019	-

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FOR THE YEAR ENDED 30 JUNE 2019

21. CASH FLOW INFORMATION

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
(a) Reconciliation of cash		
Cash at bank and on hand	3,060	1,986

(b) Reconciliation of profit/(loss) for the year to net cash flow from operating activities

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit/(loss) for the year	6,794	(276)
Depreciation and amortisation	225	251
Couran Cove inventory write down and transaction costs	-	1,124
Couran Cove land option write down	-	1,763
(Gain)/Loss on revaluation – investment properties and other assets	(1,953)	1,692
Share of profit of joint venture	(712)	(172)
Distribution received from joint venture	723	-
(Gain)/loss on sale of investment property	-	(501)
(Gain)/loss on sale of management rights and managers' units	-	17
(Gain)/loss on sale of gaming licenses	(69)	(60)
(Gain)/loss on sale of property, plant and equipment	3	-
(Increase)/decrease in:		
- Trade and other receivables	(249)	398
- Other current assets	(11)	(81)
- Other capital reserves	12	(12)
Increase/(decrease) in:		
- Trade and other payables	(4)	(47)
- Provisions	20	(26)
- Other financial liabilities	(34)	144
Net cash flow from operating activities	4,745	4,214

Cash receipts from the following transactions have been reclassified from operating activities to investing activities:

- Sale of Terranora units \$0.54 million (2018: \$nil);
- Loan repayments from Couran Cove Holdings Pty Ltd \$1.59 million (2018: \$0.25 million); and
- Sale of Couran Cove units \$2.01 million (2018: \$0.16 million).

Cash payments from the following transactions have been reclassified from operating activities to investing activities:

- Capitalised development and selling costs on inventory held at Terranora \$1.09 million (2018: \$1.67 million); and
- Legal fees and sales commissions paid for the sale of Couran Cove units \$0.18 million in (2018: \$0.02 million).

The comparatives have been updated to reflect the above changes.

(c) Non-cash investing and financing activities

During the year, the Group acquired goods and services of \$0.03 million with Bartercard dollars.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

22. FINANCIAL INSTRUMENTS

Overall policy

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policy 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 the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and amounts due from the seniors' independent living communities in accordance with management agreements in place.

Credit risk arises principally from the Group's cash and cash equivalents, receivables, other assets and loans receivable.

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
<i>Maximum exposure to credit risk</i>		
Cash and cash equivalents	3,060	1,986
Trade and other receivables	391	142
Loans receivable	1,112	2,788
Bartercard	593	627
Other assets	1,237	1,237
	6,393	6,780

Cash and cash equivalents

Deposits of cash are only held with approved banks and financial institutions. The Group predominantly banks with National Australia Bank.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer or resident. The Group has a diverse range of customers and residents and therefore there is no significant concentration of credit risk with any single counterparty or group of counterparties.

The Group has a credit policy under which each new customer is analysed individually for creditworthiness before the Group does business with them. The Group 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 Group has no concentrations of credit risk that have not been provided for. A significant component of trade debtors that are past due and greater than 90 days ageing are either on a payment plan or considered recoverable. The Group has not provided for the remaining amounts past due as management believes these amounts will be received.

The ageing of trade receivables and other receivables at the reporting date was:

	Consolidated			
	30 June 2019		30 June 2018	
	Gross amount	Provision for	Gross amount	Provision for
	receivable	Impairment	receivable	Impairment
	\$'000	\$'000	\$'000	\$'000
Due 0-30 days	391	-	255	(117)
Past due 30-60 days	-	-	-	-
Past due 60-90 days	-	-	1	-
Past due 90 + days	-	-	62	(59)
	391	-	318	(176)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Loans receivable

The Group's exposure to credit risk arises from the vendor finance loans which were part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd and the loans receivable as detailed in Note 28 being the McIntosh Loan and West Cabin Loan. The vendor finance loan book consists of 10 individual loan contracts. The Group manages the units which are being held as security for the loans. Repayments are received monthly in accordance with the individual contracts or alternative agreed arrangements in place.

Where applicable, an allowance for impairment has been made that represents the estimate of impairment losses in relation to the loans receivable. The Group has no concentrations of credit risk that have not been provided for.

	Consolidated			
	30 June 2019		30 June 2018	
	Gross amount receivable \$'000	Provision for impairment \$'000	Gross amount receivable \$'000	Provision for impairment \$'000
Loans receivable				
Current	698	-	2,332	-
Non-current	414	-	456	-
	1,112	-	2,788	-

Bartercard

Bartercard is an alternative currency and operates as a trade exchange. Bartercard is recorded at cost, or at fair value, where Bartercard has been advanced to suppliers in exchange for future supply of goods. Eureka will no longer receive Bartercard dollars except for some committed Terranora sales. The use of Bartercard dollars to purchase goods and services is actively managed to reduce this exposure.

Other assets

The Couran Cove option is a right of first refusal for the Group to purchase proposed cabin sites at Couran Cove to offset against a \$3.00 million loan receivable from CCH Developments No 1 Pty Ltd. It is secured by a real property mortgage over the proposed cabin sites. Refer Note 28 for further details.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it has 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.

There were unused borrowing facilities of \$7.53 million at the reporting date.

The tables below show the Group's financial liabilities classified into relevant maturity groupings based on their contractual maturities.

30 June 2019

	Consolidated				
	Contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	1 - 2 years \$'000	More than 2 years \$'000
Trade and other payables	1,367	1,367	-	-	-
Commercial bills ¹	55,315	3,406	1,110	2,218	48,581
Other financial liabilities	110	110	-	-	-
Total	56,792	4,883	1,110	2,218	48,581

30 June 2018

	Consolidated				
	Contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	1 - 2 years \$'000	More than 2 years \$'000
Trade and other payables	2,255	2,255	-	-	-
Commercial bills ¹	63,310	1,345	1,329	23,027	37,609
Other financial liabilities	146	146	-	-	-
Total	65,711	3,746	1,329	23,027	37,609

¹ This amount includes estimated interest during the contractual period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

c) Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group'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 Group's exposure to market interest rates arises from long term borrowings in the form of commercial bills. Borrowings issued at variable rates expose the Group to interest rate risk. \$14.2 million of the commercial bills are at variable rates while \$35.0 million is fixed (refer to Note 19). The variable portion of the debt does not expose the Group to any material interest rate risk.

The Group regularly reviews its interest rate exposure, taking into account potential renewals of existing positions, alternative financing, alternate hedging positions and the mix of fixed and variable interest rates.

23. FAIR VALUE MEASUREMENTS

Fair value hierarchy

Investment properties and retirement village resident loans are measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

There were no transfers between levels during the financial year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Fair value of financial instruments (unrecognised)

The Group has a number of financial assets and financial liabilities (loans receivable and commercial bills) which are not measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, and therefore have not been disclosed. Refer to Note 28 for details regarding the fair value and impairment assessment of the Couran Cove land option. These are not shown in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2019				
<i>Assets</i>				
Investment property	-	-	105,406	105,406
Total assets	-	-	105,406	105,406
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	98	98
Total liabilities	-	-	98	98
Consolidated – 2018				
<i>Assets</i>				
Investment property	-	-	100,756	100,756
Total assets	-	-	100,756	100,756
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	96	96
Total liabilities	-	-	96	96

Notes to the Financial Statements

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Valuation techniques for fair value measurements categorised within level 2 and level 3

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Investment properties may be valued using 2 methods, the capitalisation method and direct comparison approach. Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property into perpetuity and applying a capitalisation rate. The capitalisation rate is based on current market evidence. Future income projections take into account occupancy, rental income and operating expenses.

Under the direct comparison approach, key inputs are the recent sales of comparable units in comparable villages. All resulting fair value estimates for properties are included in level 3.

Valuation processes

Independent valuations have been obtained for a number of investment property assets during the year ended 30 June 2019 in accordance with the Group's accounting policy and were used as the basis for determining their fair values. Valuer selection criteria include market knowledge, experience and qualifications, reputation, independence and whether professional standards are maintained.

Where an independent valuation was not performed on an investment property as at 30 June 2019, management has estimated the fair values by performing internal valuations based on the capitalisation method taking into account the most recent external valuation undertaken by an independent valuer.

Retirement village resident loans are measured as the ingoing contribution less deductions over time for the period of tenancy as a percentage of the length of expected residence term. Although the expected average residency term is between one to ten years, these obligations are classified as current liabilities, as required by the Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date. The liability is stated net of accrued deferred management fees at reporting date, because the Group's contract with residents require net settlement of those obligations. These are included in trade payables.

The level 3 assets significant unobservable inputs and sensitivity are as follows:

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)		Relationship of unobservable input to fair value
			2019	2018	
Investment properties – Retirement Villages	Capitalisation method ¹	Capitalisation rate	8.25%-11.00% (10.22%) ²	8.25%-12.00% (10.31%) ²	Capitalisation rate has an inverse relationship to valuation.
		Stabilised occupancy	85%-100% (93%)	86%-100% (94%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
Investment properties – Individual Village Units	Direct comparison approach	Comparable sales evidence	N/A	N/A	Comparable sales evidence has a direct relationship to valuation.
Retirement village resident loans	Ingoing contribution less deductions for length of stay	Estimated length of stay of residents	1 – 10 years	1 – 10 years	The longer the length of stay, the lower the value of resident loans.

⁽¹⁾ Significant changes in any of the significant unobservable valuation inputs under the capitalisation method would result in a significantly lower or higher fair value measurement.

⁽²⁾ Investment properties include three unit complexes with a capitalisation rate range of 6% to 6.5% and the NDIS facility with a capitalisation rate of 16%. These have been excluded from the weighted average calculation above.

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Fair value measurements using significant unobservable inputs (level 3)

Movements in level 3 asset items during the current and previous financial year are set out in Note 14.

24. COMMITMENTS

a) Operating leases: Group as lessee

Non-cancellable operating leases

The Group leases various managers' units under non-cancellable operating leases expiring within two to twenty-five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Within 1 year	274	270
Greater than 1 year but not longer than 5 years	507	617
Greater than 5 years	604	729
	<u>1,385</u>	<u>1,616</u>

b) Capital expenditure

The Group had no capital commitments as at 30 June 2019.

25. EARNINGS PER SHARE

	30 June 2019	30 June 2018
	\$'000	\$'000
Net profit/(loss) used in calculating basic and diluted earnings per share	6,794	(276)
	#'000	#'000
Weighted average number of ordinary shares used in calculating basic earnings per share	230,686	230,686
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	230,686	230,686
	<u>2.95 cents</u>	<u>(0.12) cents</u>
Basic earnings per share		
	<u>2.95 cents</u>	<u>(0.12) cents</u>
Diluted earnings per share		
	<u>2.95 cents</u>	<u>(0.12) cents</u>

For the year ended 30 June 2019, there were no dilutive transactions to be included in the diluted earnings per share calculation.

26. SHARE BASED PAYMENTS

The Company has a long term incentive (LTI) plan pursuant to which share rights and options were granted to key management personnel in the prior year, subject to service and performance conditions.

Share rights

Rights were issued at face value having regard to the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results.

The share rights did not have any voting rights, rights to dividends, rights to capital and had no entitlement to participate in new issues offered to ordinary shareholders of the company.

A total of 878,465 share rights were issued during the prior year but 559,090 lapsed upon the retirement of the Chief Executive Officer. The remaining 319,375 share rights were forfeited during the current year upon the resignation of the former Chief Financial Officer. No share rights were issued during the year or outstanding at 30 June 2019.

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The fair value of the share rights were estimated at the grant date using the Monte Carlo pricing model, taking into account the terms and conditions on which the share rights were granted.

There were no cash settlement alternatives. The Group accounted for the share rights as an equity settled plan.

Options

A total of 1,500,000 share options were granted in the prior year but 1,000,000 lapsed upon the retirement of the Chief Executive Officer. The remaining 500,000 share options were forfeited upon the resignation of the former Chief Financial Officer during the year. No share options were issued or outstanding at 30 June 2019.

The fair value of the share options were estimated at the grant date using the Monte Carlo pricing model, taking into account the terms and conditions on which the share options were granted.

There were no cash settlement alternatives. The Group accounted for the share options as an equity settled plan.

The expense recognised during the year is shown in the following table:

	30 June 2019 \$'000	30 June 2018 \$'000
Expense arising from equity-settled share based payment transactions	(12)	12
Total expense arising from share-based payment transactions	(12)	12

There were no cancellations or modifications to the awards in 2019 or 2018, other than the lapsing of the share rights and options noted above. The share based payment expense previously recognised under AASB 2 has been reversed for the awards forfeited during the year.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share rights during the year:

Share rights	2019 Number	2019 WAEP	2018 Number	2018 WAEP
Outstanding at 1 July	319,375	-	-	-
Granted during the year	-	-	878,465	-
Forfeited during the year	(319,375)	-	(559,090)	-
Outstanding at 30 June	-	-	319,375	-
Exercisable at 30 June	-	-	-	-

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Options	2019 Number	2019 WAEP	2018 Number	2018 WAEP
Outstanding at 1 July	500,000	\$0.33	-	-
Granted during the year	-	-	1,500,000	\$0.33
Forfeited during the year	(500,000)	-	(1,000,000)	-
Outstanding at 30 June	-	-	500,000	\$0.33
Exercisable at 30 June	-	-	-	-

No options or share rights were issued during the year or outstanding at 30 June 2019.

Notes to the Financial Statements

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27. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
Short term employee benefits	824	1,223
Post-employment benefits	57	73
Other employee benefits	(12)	149
Total	869	1,445

Detailed disclosures relating to key management personnel are set out in the remuneration report within the Directors' Report.

(b) Other transactions with related parties

(i) Purchases from related parties

The Group acquired the following goods and services from entities that are related parties:

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
<i>Key management personnel and their controlled entities</i>		
Manager's units rental fees	51	51
Consulting fees	33	-
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables)	33	-

(ii) Fees received from related parties

The Group received fees for the following services from entities that are related parties:

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
<i>Key management personnel and their controlled entities</i>		
Management fees	23	21
<i>Joint venture</i>		
Management fees	262	59
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables)	29	22

(iii) Terms and conditions

All transactions were made on commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

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(iv) Loans to related parties

	Consolidated	
	30 June 2019 \$'000	30 June 2018 \$'000
<i>Key management personnel and their controlled entities</i>		
Opening balance	-	-
Loans advanced	350	-
Loan repayments received	(61)	-
Net interest charged	17	-
Closing balance	306	-

No provisions for doubtful debts have been raised in relation to any outstanding balances.

Lachlan McIntosh (a director) has also provided a personal guarantee in respect to the West Cabin Loan. Refer to Note 28 for further details.

28. OTHER MATERIAL TRANSACTIONS WITH DIRECTOR RELATED ENTITIES

Couran Cove

On 30 August 2018, Eureka reached agreement with several parties including Onterran Limited (ASX: OTR) (Onterran) and certain of its subsidiaries (Couran Cove entities) with respect to amounts and assets associated with the Group's interests in Couran Cove on South Stradbroke Island.

The Executive Chairman of Onterran is Mr Lachlan McIntosh who is also a director of Eureka. Mr McIntosh does not have control over Onterran or the Couran Cove entities.

The financial impact of these settlement reached was reflected in the Group's financial statements for the year ended 30 June 2018.

The material balances related to this transaction and key elements of the agreement are set out below.

	Financial statement disclosure Note	30 June 2019 \$'000	30 June 2018 \$'000
<i>Assets</i>			
Inventory ¹	7	-	2,010
Loan Receivable – Couran Cove ²	11	-	2,260
Loan Receivable - McIntosh Loan ³	11	306	-
Loan Receivable – West Cabin Loan ⁴	11	320	-
Other non-current assets - land option ⁵	9	1,237	1,237
<i>Expense</i>			
Impairment of Couran Cove assets ¹⁵	28	-	2,887

- Inventory - 28 cabins and apartments owned by Eureka were sold during the year ended 30 June 2019 for \$2.01 million. Cash settlement was completed on 7 September 2018. The assets were written down to the net realisable value in the prior year, resulting in a write-down of \$1.124 million.
- Loan receivable – Couran Cove - a loan repayment of \$1.59 million was received on 7 September 2018, being part payment of the \$2.26 million loan owed to Eureka by Couran Cove Holdings Pty Ltd. The remaining loan receivable was restructured into the McIntosh Loan and the West Cabin Loan (see below).
- McIntosh Loan - a new loan of \$0.35 million assumed by Mr Lachlan McIntosh (a Director of EGH) in his personal capacity. Details are contained in Note 11.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

- 4 West Cabin Loan - a new secured loan was provided to CCH Developments No 1 Pty Ltd (CCH Developments) in its personal capacity and as trustee of the CCH Developments No 1 Trust for \$0.32 million. No interest accrues on this loan.

The loan is secured by a real property mortgage over two existing cabins owned by CCH Developments and is guaranteed by Onterran and Mr McIntosh in his personal capacity. Mr McIntosh is a director of Eureka, the Executive Chairman of Onterran and a director of CCH Developments. Recourse against CCH Developments in respect of the loan is limited to the two existing cabins.

The repayment date for the loan was previously 15 April 2019. Repayment of the loan is expected to be made by CCH Developments from the proceeds of the sale of the two cabins. Separate titles for the cabins have now been issued and CCH Developments has advised Eureka that it expects that the sale contract for the cabins will be completed in September 2019. Eureka has agreed to extend the repayment date of the loan until the settlement date for the sale contract. Eureka has reserved its rights under the loan agreement and the security.

- 5 Land option

Prior to the settlement reached on 30 August 2018, Eureka was owed \$3.0 million by Couran Cove Holdings Pty Ltd, a subsidiary of Onterran. This amount has been refinanced under a new secured loan to CCH Developments. No interest accrues on this loan. The loan is secured by a real property mortgage over land owned by CCH Developments relating to 60 proposed cabin sites and is guaranteed by Onterran.

Eureka has a right of first refusal to purchase the proposed cabin sites for \$50,000 per site. The purchase price is to be paid by way of set off against the loan on settlement. The right can be exercised until the repayment date for the loan. The loan is due for repayment on 31 August 2020. Eureka has the option to extend the repayment date, and the time in which it can exercise its right of first refusal, to 31 August 2023.

In order for Eureka to realise value from this agreement, Eureka intends to reach arrangements for developers to construct dwellings on the proposed cabin sites and ultimately acquire the sites from Eureka. Eureka's interests will be protected by its mortgage under any such arrangements with developers.

Although the intention is to recover this loan in full, the Directors assessed its fair value to be \$1.24 million at 30 June 2019 (2018: \$1.24 million). The assets were written down to the assessed fair value in the prior year, resulting in a write-down of \$1.76 million.

Other relevant information

In addition to the above elements of the agreements, upon satisfaction of the conditions precedent to the transaction during the year, Eureka released the parties from existing loan agreements, and agreed to forgo its entitlement to 30% of the proceeds of the sale of certain management and infrastructure rights related to the Couran Cove resort. Eureka also released its specific charge over the management and infrastructure rights and a general security agreement over the entity that owned the rights. The Directors placed no value on this entitlement as receipt of any benefit was dependent on the owner taking a voluntary action to sell the rights, and if they were not sold, Eureka's entitlement would have expired.

In March 2019, Onterran entered voluntary administration and announced the sale of its subsidiary that owns CCH Developments to an unrelated Sydney property group. In June 2019, Onterran also executed a Deed of Company Arrangement (DOCA). Upon completion of the DOCA, which includes a Creditors' Trust Fund of \$250,000, all claims against Onterran (including any guarantees) will be extinguished and released.

The Directors consider that these transactions do not, and will not, have a material effect on Eureka's security in relation to the West Cabin loan and the Couran Cove land option, or the recoverability of the amounts owed, due to the validity and enforceability of the real property mortgages provided to Eureka.

29. ULTIMATE PARENT ENTITY

The parent entity within the group is Eureka Group Holdings Limited, which is the ultimate parent entity within Australia.

30. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets at 30 June 2019 that require disclosure in the financial report.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

31. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

For the period ended 30 June 2019, the Group is organised into two operating segments located in Australia:

- Rental Villages – ownership of seniors' rental villages; and
- Property Management - management of seniors' independent living communities.

The operating segments have been identified based upon reports reviewed by the Board of Directors (who are identified as the chief operating decision makers) who are responsible for assessing performance and determining the allocation of resources. There is no aggregation of operating segments and the Board of Directors views each segments performance based on profit after tax. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

Segment information is prepared in conformity with the accounting policies of the Group as discussed in Note 2 and Accounting Standard AASB 8.

Cash flows are not measured or reported by segment.

	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
Consolidated - 30 June 2019				
Revenue	19,363	3,873	-	23,236
Revenue from asset sales – inventory	2,550	-	-	2,550
Interest revenue	-	-	57	57
Other revenue	10	-	91	101
Total Revenue	21,923	3,873	148	25,944
Expenses	9,500	2,543	4,462 ¹	16,505
Cost of sales – inventory	2,550	-	-	2,550
Interest expense	2,760	-	-	2,760
Total expenses	14,810	2,543	4,462	21,815
Net gain/(loss) on change in fair of:				
Investment property	2,253	-	-	2,253
Other assets	(300)	-	-	(300)
Share of profit of a joint venture	712	-	-	712
Profit/(loss) before income tax expense	9,778	1,330	(4,314)	6,794
Income tax expense	-	-	-	-
Profit/(loss) after income tax expense	9,778	1,330	(4,314)	6,794
Segment Assets	112,283 ²	5,892	14,897 ³	133,072
Segment Liabilities	51,131	104	355 ⁴	51,590

Non-cash and other significant items included in profit:

Gain on revaluation of investment property	2,253	-	-	2,253
Depreciation & amortisation	(74)	(151)	-	(225)
Amortisation of borrowing costs	(232)	-	-	(232)
Loss on revaluation of other assets	(300)	-	-	(300)
Share of profit of joint venture	712	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated - 30 June 2019	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<u>Segment acquisitions:</u>				
Acquisition of property, plant and equipment	-	-	58	58
Acquisition and subsequent expenditure of investment property	1,797	-	-	1,797
Acquisition of inventory	-	-	564	564

¹ Included within unallocated expenses is employee benefits expense of \$2.49 million, directors fees \$0.31 million, office expenses of \$0.39 million, professional fees \$0.44 million and other administrative expenses of \$0.83 million.

² Included within rental villages assets is the investment in the Joint Venture of \$4.66 million, which is accounted for under the equity method.

³ Included within unallocated segment assets is inventory of \$9.22 million, Couran Cove land option of \$1.24 million, trade and other receivables of \$0.66 million, cash balances of \$3.06 million, and other assets of \$0.72 million.

⁴ Included within unallocated segment liabilities is Superannuation and PAYG withholding payable \$0.10 million and accrued expenses \$0.25 million.

Consolidated - 30 June 2018	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
Revenue	18,665	3,909	-	22,574
Interest revenue	-	-	41	41
Other revenue	26	-	571	597
Total Revenue	18,691	3,909	612	23,212
Expenses	9,596	2,806	3,926 ¹	16,328
Interest expense	2,745	-	8	2,753
Total expenses	12,341	2,806	3,934	19,081
Net gain/(loss) on change in fair of:				
Investment property	(1,439)	-	-	(1,439)
Other assets	-	-	(253)	(253)
Impairment of Couran Cove assets	-	-	(2,887)	(2,887)
Share of profit of a joint venture	172	-	-	172
Profit/(loss) before income tax expense	5,083	1,103	(6,462)	(276)
Income tax expense	-	-	-	-
Profit/(loss) after income tax expense	5,083	1,103	(6,462)	(276)
Segment Assets	108,240 ²	6,138	18,922 ³	133,300
Segment Liabilities	57,833	65	702 ⁴	58,600

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated - 30 June 2018	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<u>Non-cash and other significant items included in profit/(loss) above:</u>				
Loss on revaluation of investment property	(1,439)	-	-	(1,439)
Depreciation & amortisation	(111)	(140)	-	(251)
Gain on disposal of Victoria St, Mackay			501	501
<u>Segment acquisitions:</u>				
Acquisition of property, plant and equipment	-	-	35	35
Acquisition and subsequent expenditure of investment property	9,361	-	-	9,361
Acquisition of Joint Venture investment	4,500	-	-	4,500
Acquisition of intangibles	-	100	-	100
Acquisition of inventory	-	-	4,134	4,134

¹ Included within unallocated expenses is employee benefits expense of \$2.16 million, office expenses of \$0.45 million and other administrative expenses of \$1.31 million.

² Included within rental villages assets is the investment in the Joint Venture of \$4.72 million, which is accounted for under the equity method.

³ Included within unallocated segment assets is inventory of \$11.78 million, Couran Cove land option of \$1.24 million, trade and other receivables of \$2.26 million, cash balances of \$1.98 million, and other assets of \$1.67 million.

⁴ Included within unallocated segment liabilities is provisions of \$0.12 million, Superannuation and PAYG withholding payable \$0.10 million and accrued expenses \$0.48 million.

32. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2019 \$	30 June 2018 \$
During the financial year the following fees were paid or payable for services provided by the auditor of the company and its related practices:		
(i) <i>Audit and other assurance services – Ernst and Young</i> Audit and review of financial statements	145,454	152,150
(ii) <i>Other services – Ernst and Young</i> GST advice	7,000	-
	152,454	152,150

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

33. PARENT ENTITY DISCLOSURES

	30 June 2019 \$'000	30 June 2018 \$'000
Information relating to Eureka Group Holdings Limited (parent entity):		
Results of the parent entity		
Profit/(loss) for the period	(4,915)	(7,077)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	<u>(4,915)</u>	<u>(7,077)</u>
Financial position of parent entity at year-end		
Current assets	79,403	90,099
Non-current assets	6,523	7,162
Total assets	<u>85,926</u>	<u>97,261</u>
Current liabilities	887	711
Non-current liabilities	47,118	53,702
Total liabilities	<u>48,005</u>	<u>54,413</u>
Share capital	94,353	94,353
Equity reserve	-	12
Accumulated losses	(56,432)	(51,517)
Total equity	<u>37,921</u>	<u>42,848</u>

Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees in relation to the debts of its subsidiaries.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019.

Contractual commitments for capital items

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

34. SUBSEQUENT EVENTS

Subsequent to year end, the following significant transactions have occurred:

- Terranora - the sale of four units at Terranora was completed for a total consideration of \$1.14 million, including \$0.27 million Barter dollars.
- Assets held for sale – separate contracts for the sale of two residential houses in Mt Gambier for total proceeds of \$0.57 million have been executed, with settlement expected in September 2019.
- Investment Property – the Group acquired four additional units in Rockhampton Village 1 for \$0.34 million and two additional units in Albert Street Gardens in Orange for \$0.22 million.
- Dividend - the Company has declared a final dividend in respect of the year of 1.0 cent per share, payable on 17 October 2019 amounting to \$2.30 million.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the directors of Eureka Group Holdings Limited, I state:

1. In the opinion of the Directors of Eureka Group Holdings Limited ("the Company"):
 - a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - b. 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
 - c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board



Murray Boyte
Executive Chair

Dated in Brisbane this 30th day of August 2019.



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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Report to the Members of Eureka Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eureka Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Recognition and Valuation of Investment Properties

Why significant

The recognition and valuation of investment properties was a key audit matter due to the value of the recorded asset (30 June 2019: \$105,406,000) relative to total assets and the degree of estimation and judgement required to be made by the Group, specifically concerning classification and fair value.

The Group assesses whether new acquisitions are classified as an asset acquisition (individual acquisitions of investment property assets) or business acquisitions. Investment properties are assessed each year by the Group to determine if they continue to meet the requirements under Australian Accounting Standards to be classified as investment property.

All investment properties are recorded at their fair value. Fair values are determined every six months by reference to independent valuations or internal valuations with reference to current market conditions. Changes in fair values are recognised in the consolidated statement of comprehensive income. Notes 2 and 14 to the financial report disclose the investment property assets and Note 23 discloses the assumptions used in the valuation of these assets.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessing significant investment property acquisitions made during the year as to whether they were correctly classified as an asset or business acquisition. In doing so, we analysed related contracts of purchase and settlement statements.
- Evaluating the Group's assessment of properties classified as investment properties under Australian Accounting Standards, with consideration as to how significant returns are derived from these assets.
- On a sample basis we agreed investment properties to applicable title and other documents evidencing ownership.
- Assessing the Group's fair value determination of investment properties. In doing so, we performed the following procedures with the involvement of our real estate valuation specialists:
 - Assessed the sustainable earnings for each property, including occupancy assumptions.
 - Considered the capitalisation rates for each property.
 - Assessed the independent valuations obtained by the Group including, the qualifications, competence and objectivity of the valuation experts and the methodology of the valuations.
- Selected a sample of properties to determine whether fair values were supported by comparable sales evidence.
- Evaluated the compliance of the note disclosures with Australian Accounting Standards.



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Impairment Testing of Intangible Assets

Why significant

Impairment testing of intangible assets was a key audit matter due to the value of the recorded asset (30 June 2019: \$5,348,000) and the degree of estimation required to be made by the Group in calculating the value-in-use using discounted cash flow forecasts.

Note 16 of the financial report discloses the Group's intangible assets and the key assumptions used in testing these assets for impairment, including those used in the cash flow forecasts.

The Group performs an annual impairment assessment of goodwill, while amortising intangible assets, such as management letting rights, are assessed for indicators of impairment.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Evaluating the Group's assessment of impairment indicators for management letting rights.
- Evaluating the Group's assessment of Cash Generating Units.
- Testing the mathematical accuracy of the impairment model.
- Considering the accuracy of the Group's historical cash flow forecasts. We agreed the forecasts to Board approved budgets and compared those forecasts to previously achieved results and considered any adjustments required for current trading and market activities.
- Assessing the key assumptions within the impairment model including the growth rate and discount rate.
- Applying our knowledge of the business and corroborated our work with external information where possible, including published earnings multiples for similar assets, specifically management letting rights based on profitability and tenure.
- Assessing the adequacy of the impairment tests disclosure included in Note 16 to the financial report.



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Non-Core Assets

Why significant

The Group is in the process of realising a number of non-core assets. These assets are:

- Couran Cove Land Option (Note 9) - \$1,237,000
- Loans Receivable from related parties (Note 11) - \$306,000 and \$320,000
- Terranora Unit Inventory (Note 7) - \$9,215,000

These assets are material to the Group, require judgment in determining the appropriate accounting treatment and in assessing their carrying value. As a result, this was considered to be a key audit matter.

The Group assesses the recoverability of these assets at each reporting date as follows:

- The Couran Cove Land Option has been assessed based on estimates of future cash flows expected to be received from these assets.
- Loans Receivable has been assessed based on expected future cash flows, the credit worthiness of the borrowers and the value of security provided.
- The Terranora asset has been assessed to be inventory and is carried at the lower of cost and net realisable value which has been assessed by management using external independent valuations and estimates of cost to complete and realise this asset.

The Group has also assessed the expected time frames for recovery of these assets in order to determine their recording as either current or non-current assets.

How our audit addressed the key audit matter

Our audit procedures concerning the land option included the following:

- Reviewing contractual terms and other legal correspondence in the period to assess if the Group has the legal title to the assets.
- Comparing key market-derived estimates, including expected selling price, to external data, where available.
- Understanding changes and developments in the asset in the period.
- Performing sensitivity analyses to assess the range of acceptable recoverable value estimates.
- Testing the mathematical accuracy of the models.
- Assessing the adequacy of the related disclosure in the financial report.

Our audit procedures relating to loans receivable included the following:

- Reviewing the loan agreement.
- Obtaining confirmation of the loan.
- Reviewing management's assessment of recoverability of the loan, including creditworthiness of the borrowers, and security on the loan.
- Assessing the adequacy of the provision for expected credit losses.
- Testing the mathematical accuracy of the interest calculation.
- Assessing the adequacy of the related disclosure in the financial report.

Our audit procedures concerning the Terranora inventory included the following:

- Testing additions and disposals to supporting documentation and bank statements on a sample basis.
- Testing net realisable value by involving our real estate valuation specialists to assess the independent valuation obtained by the Group including the qualifications, competence and objectivity of the valuation experts and the methodology used in the valuations.
- Testing the costs of completion and realisation.
- Assessing the adequacy of the related disclosure in the financial report.



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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Brad Tozer'.

Brad Tozer
Partner
Brisbane
30 August 2019



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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of Eureka Group Holdings Limited

As lead auditor for the audit of the financial report of Eureka Group Holdings Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Eureka Group Holdings Limited and the entities it controlled during the financial year.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Brad Tozer".

Brad Tozer
Partner
30 August 2019

Corporate Governance Statement

The Company's directors and management are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation during the financial year.

The Board has adopted the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent considered appropriate for the size and nature of the Group's operations. The Corporate Governance Statement identifies any Recommendations that have not been followed, and provides reasons for not following those Recommendations.

The Company's Corporate Governance Statement and key policies can be found on its website:
<http://www.eurekagroupholdings.com.au/governance>.

Security Holder Information

Distribution of Securities as at 14 August 2019

Number of Securities	No of Shareholders
1 – 1,000	323
1,001 – 5,000	196
5,001 – 10,000	97
10,001 – 100,000	271
100,001 and over	141
Total Security Holders	1,028

Marketable Shares

There were 369 holders of less than a marketable parcel of 1,786 shares holding a total of 152,616 shares.

Voting Rights

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

Substantial Holders as at 14 August 2019	No of Ordinary Shares Held	% of Issued Share Capital
Cooper Investors Pty Limited	35,378,273	15.38%
Tribeca Investment Partners	25,365,406	11.03%
Salt Funds Management	16,678,819	7.25%
Charter Hall Property Securities Management Limited	15,800,658	6.87%
Ignition Capital Pty Ltd, Ignition Capital No 2 Pty Ltd, Mr Robin Levison	12,590,808	5.45%
Total	105,813,964	45.98%

Twenty Largest Ordinary Shareholders as at 14 August 2019	No of Ordinary Shares Held	% of Issued Share Capital
National Nominees Limited	53,401,683	23.21%
J P Morgan Nominees Australia Pty Limited	19,896,562	8.65%
HSBC Custody Nominees (Australia) Limited	16,819,118	7.31%
Wavet Fund No 2 Pty Ltd	11,500,000	4.99%
Ignition Capital Pty Ltd	8,976,534	3.90%
One Managed Investment Funds Limited	8,161,000	3.55%
Equipment Company of Australia Pty Limited	7,185,360	3.12%
Kathlac Pty Ltd	6,700,138	2.91%
Tolani Estate Pty Ltd	4,400,000	1.91%
Placement Pty Ltd	4,000,000	1.74%
Mr Alister Charles Wright	3,700,000	1.61%
SMN Holdings Pty Ltd	3,651,028	1.59%
H & G Limited	3,195,359	1.39%
Luton Pty Ltd	2,850,000	1.24%
Brazil Farming Pty Ltd	2,767,172	1.20%
Ignition Capital No 2 Pty Ltd	2,580,000	1.12%
Mr Victor John Plummer	2,500,000	1.09%
Mr Richard Mews & Mrs Wee Khoon Mews	2,188,607	0.95%
HIDIV Pty Ltd	1,898,075	0.83%
Graeme Webb Holdings Pty Ltd	1,770,000	0.77%
Total	168,140,636	73.08%

Corporate Directory

Registered Address & Contact Details

Registered Address Suite 2D 7 Short St, Southport QLD 4215
Postal Address PO Box PO Box 10819, Southport BC QLD 4215
Phone number 07 5568 0205
Website www.eurekagroupholdings.com.au
Email info@eurekagroupholdings.com.au

Board of Directors

Murray Boyte (Executive Chair)
Russell Banham
Lachlan McIntosh
Sue Renkin

Senior Management

Cameron Taylor Chief Operating Officer
Tracey Campion Chief Financial Officer

Company Secretary

Laura Fanning

Solicitors

Jones Day
Riverside Centre
Level 31/123 Eagle Street
Brisbane QLD 4000
Tel: 07 3085 7000
Fax: 07 3085 7099

Mills Oakley
Level 14
145 Ann Street
Brisbane QLD 4000
Tel: 07 3228 0400
Fax: 07 3012 8777

Auditors

Ernst & Young
111 Eagle St
Brisbane Qld 4000
Tel: 07 3011 3333
Fax: 07 3011 3344

Share Registry

Link Market Services – Brisbane
Level 21, 10 Eagle Street
Brisbane Qld 4000
Call Centre: 02 8280 7454
Fax: 07 3228 4999

Securities Exchange Listing

ASX Limited
ASX Code: EGH (ordinary shares)

Australian Business Number

15 097 241 159



Head Office

ABN 15 097 241 159

Level 2, 7 Short Street,
Southport Qld 4215

P: (07) 5568 0205

F: (07) 5302 6605

E: info@eurekagroupholdings.com.au