**Eureka Group Holdings Ltd**
ABN 15 097 241 159
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Varsity Lakes QLD 4227
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For immediate release to the market
Eureka Group Holdings Limited
ASX Code EGH
28 August 2014

## Appendix 4E and Annual Report

Eureka Group Holdings Limited ("Eureka") is pleased to submit its Appendix 4E and Annual Report for financial year 2014. Some of Eureka's key highlights are summarised below and are more fully detailed in the attached Annual Report:

- Net profit after tax for FY 2014 was up greater than 700% to $662k.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) for FY 2014 was up 74.8% to 1,512k.
- Total assets at 30 June 2014 were up 67.4% to $15,706k.
- Eureka's new village ownership strategy is proving successful and will see Eureka owning four villages by December 2014 (Mackay, Cairns, Bundaberg and Elizabeth Vale).
- Eureka has 1,419 units under management (of which 217 will be owned by December 2014).
- From its four villages Eureka expects to generate an additional $2.0m annual EBITDA.
- Eureka has materially strengthened its balance sheet
- Eureka experienced strong investor support during FY 2014
- Eureka strengthens board and management senior management team.

For further information contact Robin Levison (Chairman) on 07 5568 0205.

**Results for announcement to the market**

The following information must be given to ASX under listing rule 4.3A.

***Item 1:*** *Details of the reporting period and the previous corresponding period.*

| | |
|---|---|
| Current period | 30 June 2014 |
| Previous corresponding period | 30 June 2013 |

***Item 2:*** *Key information in relation to the following:*

| **Summary Financial Information** | **Year ended 30 June 2014 A$000** | **Year ended 30 June 2013 A$000** | **Change** |
|---|---|---|---|
| Revenue from ordinary activities (sub-item 1) | 10,662 | 10,878 | (2.0)% |
| Profit from ordinary activities after tax attributable to members (sub-item 2) | 661 | 75 | +781.3% |
| Net profit for the period attributable to members (sub-item 3) | 661 | 75 | +781.3% |
| Dividends per ordinary shares (sub-item 4) | | Amount of dividend | Franked Amount |
| Interim dividend | Current Year | Nil | Nil |
| | Previous Year | Nil | Nil |
| Final dividend | Current Year | Nil | Nil |
| | Previous Year | Nil | Nil |

| **Additional Financial Information** | **Year ended 30 June 2014 A$000** | **Year ended 30 June 2013 A$000** | **Change** |
|---|---|---|---|
| EBITDA | 1,512 | 865 | +74.8% |
| Total Assets | 15,706 | 9,381 | +67.4% |
| Net Assets | 6,538 | 4,018 | +62.7% |
| Earnings per ordinary security (EPS) | 0.80 cents | 0.10 cents | |
| Diluted earnings per share | 0.80 cents | 0.09 cents | |

***Item 3:*** *A statement of comprehensive income together with notes to the statement, prepared in compliance with AASB 101 Presentation of Financial Statements or the equivalent foreign accounting standard*

Refer to the attached FY 2014 Annual Report

**Item 4:** *A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals*

Refer to the attached FY 2014 Annual Report

**Item 5:** *A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard*

Refer to the attached FY 2014 Annual Report

**Item 6:** *A statement of retained earnings, or a statement of changes in equity, showing movements*

Refer to the attached FY 2014 Annual Report

**Item 7:** *Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution*

No dividend or distributions were made or proposed during the current and previous periods.

**Item 8:** *Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan*

No dividend or distribution reinvestment plan was in operation during the current or previous year.

**Item 9:** *Net tangible assets per security with the comparative figure for the previous corresponding period*

| **NTA Backing** | **Current Period** | **Previous Period** |
|---|---|---|
| Net tangible assets backing per ordinary (net of DTA) | 1.8 cents | (1.9) cents |
| Net asset backing including intangible assets (net of DTA) | 6.6 cents | 5.3 cents |

**Item 10:** *Details of entities over which control has been gained or lost during the period*

Refer to the attached FY 2014 Annual Report

**Item 11:** *Details of associates and joint venture entities*

Not applicable

**Item 12:** *Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position*

All significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position is included in this document and the attached FY 2014 Annual Report.

**Item 13:** *For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards)*

Not applicable

**Item 14:** *A commentary on the results for the period*

Refer to the attached FY 2014 Annual Report

**Item 15:** *Status of the Audit*

The financial report for the financial year ended 30 June 2014 has been audited and the audit opinion is unqualified

***Item 16:*** *If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph*

Not applicable as the accounts have been audited

***Item 17:*** *If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph*

The accounts have been audited and the audit report is not subject to a modified opinion, emphasis of matter or other matter paragraph.

**Eureka Group Holdings Limited**

**Robin Levison**
Chairman

Dated: 28 August 2014
Brisbane

# Annual Report **2014**

30 June 2014

eureka
GROUP HOLDINGS LTD

ABN: 15 097 241 159

CONTENTS

# Chairman's Review

As incoming Chairman of Eureka Group Holdings Limited ("Eureka" or the "Company" or "EGH" and its controlled entities (the "Group"), I would firstly like to express my thanks to previous Chairman Mr Lachlan McIntosh, who has handed the Company over in a solid and stable position, primed for "growth".

The Company's positive performance has continued on from a solid half year, with a reported FY2014 Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $1,512,223 (FY2013: $865,296), up 74.8% and reported Net Profit After Tax (NPAT) of $661,272 (FY2013: $74,932), up greater than 700% on a core revenue of $10,137,556 (FY2013: $10,873,699), down 4.9%.

Eureka believes the material improvements to both EBITDA and NPAT are attributable to its continued focus on the key drivers of occupancy, services uptake and length of agreements.

With Eureka's new strategic direction of owning the units in the villages it manages, a key driver of future earnings growth will now be the number of units owned by the Group itself.

Eureka, at 30 June 2014, owned 99 units with a further 51 units purchased on 3 July 2014 through the acquisition of Cascade Gardens Cairns. Eureka has an interest in the ownership of a further 118 units through the Easy Living Unit Trust and the Easy Living (Bundaberg) Unit Trust. Overall as at 30 June 2014, the Company managed 1,419 units via a mixture of ownership and management rights.

At 30 June 2014, average occupancy was 89% across all villages, consistent with 89% in 2013. Importantly, 93% of tenants purchased services (primarily food) from Eureka, which has increased from 84% as at 31 December 2013.

The weighted average length of each management rights contract held by Eureka is 9.3 years, with a number of renewals awarded post balance date.

From a capital management perspective, Eureka's balance sheet was strengthened during FY2014, following $650,000 raised via an oversubscribed convertible note with $550,000 raised prior to 31 December 2013 and $100,000 raised in early 2014. The Group also completed a Share Purchase Plan (SPP) and sophisticated investor placement that was announced on 10 March 2014. Eureka raised $504,000 from the SPP and $1,200,000 from the sophisticated investor placement at 10 cents per share.

**Operational review**

During FY2014, the Group continued its concentration implementing a more aggressive long-term growth strategy designed to capitalise on the strong underlying fundamentals of the Australian seniors' accommodation sector.

The key platforms of this longer-term growth blueprint are to:

- identify and divest lower/underperforming management rights agreements; and
- utilise these proceeds, combined with a balanced mix of equity and debt, to invest in higher returning "bricks and mortar" seniors rental village assets and higher yielding management rights agreements.

Consistent with this strategy, Eureka has:

- Divested its management rights in:
    - The Chermside village for $575,000, which settled on 20 February 2014.
    - The Stafford village for $520,000, which settled on 31 March 2014.
    - The Cleveland village for $700,000, which settled on 5 June 2014.
- Contracted to divest the management rights in Slacks Creek for $910,000, which is expected to settle in September 2014.

Importantly, each of these management rights sales were sold at, or at a premium to, their book value.

During the period Eureka also completed the previously announced acquisition of:

- The freehold land and buildings of the Cascade Gardens Mackay, a 93-unit Seniors Rental Village for $6.075m. Given Eureka already managed this village, the purchase fits within Eureka's growth strategy to acquire high performing villages and associated management rights.
- 14% interest in the Easy Living Unit Trust which owns the Wayford House Independent Seniors Village at Elizabeth Vale, South Australia; and
- 10% interest in the Easy Living (Bundaberg) Unit Trust, which owns the Avenell on Vasey Independent Seniors Village in Bundaberg, Queensland with both villages currently managed by Eureka.

# Chairman's Review

Eureka also entered into put and call options to acquire the remaining:

- 86% interest in the Easy Living Unit Trust; and
- 90% interest in the Easy Living (Bundaberg) Unit Trust; by no later than 8 December 2014 at a combined consideration of approximately $7.65m (dependant on net assets at the date of completion of acquisition).

Post year-end, Eureka settled its purchase of a 51-unit village in Cairns known as Cascade Gardens Smithfield for $3.137m.

**Corporate Resources**

In late December 2013, the Company announced the appointment of Robin Levison as Chairman, followed by his acquisition of a 6.68% stake in Eureka. Mr Levison who is a Chartered Accountant, Fellow of the Australian Institute of Companies Directors and holds an MBA from the University of Queensland has significant public company board and management experience.

Eureka also announced the appointment of Mr Ryan Maddock to the role of Chief Financial Officer in July 2014. Mr Maddock has a Bachelor of Business with a Major in Accounting from the Griffith University and is a Chartered Accountant. He most recently held the role of Senior Financial Accountant at a Perth-based TSX-listed company, with prior roles as an Audit Manager with KPMG and prior to that worked in the business services area at PKF.

**Aged Sector Dynamics**

There is undoubtedly an increasing groundswell of investor sentiment in Australia for companies with clear strategic growth plans and which operate in the Retirement Accommodation sector. The underlying dynamics which are universally forecast to drive the continued growth of this sector are clearly supported by the fact that a diversified and long established property company of the ilk of FKP (now Aveo Group Ltd), is publicly steering its future growth strategy deliberately towards aged and retirement care operations and assets.

There is also no doubt that demand for seniors retirement accommodation and services will intensify well into the foreseeable future on the back of Australia's well documented ageing population demographics.

According to the Australian Bureau of Statistics, the population of those over 55 in Australia is estimated to increase by 3.5M over the next 25 years with the major proportion of this growth occurring in the age group from 65 to 85, which is the principle segment currently using retirement village accommodation.

Factoring in these projected increases, a study by the University of New South Wales found that based on current retirement village participation rates, an additional 30,000 accommodation units will be required. The study also forecast that assuming a 3% growth in participation rates, around 90,000 units would be required. It is significant to note that even the 30,000 new units forecast, equates to an approximate doubling of the current level of retirement village supply.

The Australian Productivity Commission has also noted that the total private and public investment needed in aged care infrastructure and services, including retirement village accommodation, from 2012 to 2060 is estimated to be more than five times the cumulative investment made over the last half century.

These forecast dynamics are already focusing Australian investment attention onto proved ASX listed operatives in the retirement/seniors core market, with a number of Eureka's larger competitors already trading at extremely high earnings multiples.

**Outlook**

Based on the progress to date, Eureka is confident of significantly increasing full year FY2015 EBITDA, subject to costs specifically associated with acquisitions that must be expensed under accounting standards.

As previously outlined, Eureka is rapidly increasing its scale with a much improved balance sheet and revenue mix which will continue to generate greater economies of scale and efficiencies across all spheres of its operations.

Accordingly, not allowing for the possible impact of any further unannounced village acquisitions, the village acquisitions announced to date in both the previous and current financial years (Mackay, Cairns, Bundaberg and Elizabeth Vale) will increase Company EBITDA by over $2.0m in FY2015 (on an annualised 12 month basis) with the Company strongly positioned to sustain its growth strategy for the benefit of all shareholders.

**Robin Levison**
Chairman

# 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 2014.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group during the year were:

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

**REVIEW OF OPERATIONS AND RESULTS**

The performance of the Group as represented by the results of operations for the year, were as follows:

| **Performance Measure** | | **Consolidated** | |
|---|---|---|---|
| | | **30 June 2014** | **30 June 2013** |
| | | **$** | **$** |
| Net profit | | 661,272 | 74,932 |
| Add back: | Interest | 569,041 | 490,683 |
| | Tax | - | - |
| | Depreciation | 102,151 | 88,693 |
| | Amortisation | 179,759 | 210,988 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | 1,512,223 | 865,296 |

The increase in EBITDA of $646,927 was represented by:

- Continued improvement in catering fees revenue increased by 20% during the year;
- Continued strong occupancy;
- Contribution of profit from Cascade Gardens Mackay purchase since settlement on 10 April 2014 to 30 June 2014; and
- $188,149 reduction in employee expenses from FY2013.

Financing costs increased during the 30 June 2014 year as a result of borrowings increasing to fund the acquisition of Cascade Gardens Mackay.

| **Financial Position** | **Consolidated** | |
|---|---|---|
| | **30 June 2014** | **30 June 2013** |
| | **$** | **$** |
| Total Assets | 15,705,561 | 9,381,024 |
| Net assets | 6,537,807 | 4,017,517 |
| Working capital (current assets less current liabilities) | 930,393 | 208,124 |

The Group continues to improve its financial position. During the year, the Group acquired the property, plant and equipment at Cascade Gardens Mackay for $6,075,000. The acquisition was partly funded through bank debt which resulted in bank debt increasing from $3,309,000 to $6,869,000. Also included in current liabilities are amounts owing to shareholders totalling $554,011 which has decreased from a balance of $1,036,643 at 30 June 2013.

The Group operates in a strongly growing industry providing essential services to Australia's senior population. During the period overall occupancy levels across the villages increased as well as services income at villages that the group continues to manage.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the 30 June 2014 financial year and after a review of all Group assets, the Group sold its management rights in the Chermside Village on 20 February 2014 for $575,000 and the Stafford Village on 31 March 2014 for $520,000 and the Cleveland Village for $780,000 on 5 June 2014.

Proceeds from the above settlements and the $650,000 raised from the Convertible Note Issue, were invested in the acquisition of the seniors rental village known as Cascade Gardens Mackay on 11 April 2014. This 93-unit village was acquired for $6,075,000 and partly funded by a $3,800,000 bank loan.

# Directors' Report

**DIVIDENDS**

No dividends have been paid during the year (2013: $nil). No dividends for the financial year ended 2014 have been recommended at the date of this report.

**SHARE CAPITAL, REDEEMABLE CONVERTIBLE NOTES AND SHARE OPTIONS**

The number of ordinary shares on issue at 30 June 2014 was 98,349,930 (2013: 75,632,932).

The Group had 650,000 secured notes and 225,000 unsecured notes outstanding as at 30 June 2014.

During the year, 650,000 secured convertible notes were issued with a face value of $1.00 that mature on 31 January 2016. The Notes are convertible into shares at $0.06 and interest is payable at the rate of 10% per annum. As at 30 June 2014 the Group had 650,000 secured notes outstanding.

On 1 August 2012 EGH issued 225,000 unsecured convertible notes of $1.00 each. The notes are convertible into shares at $0.10 and interest is payable at the rate of 12.50% per annum. As at 30 June 2014 the Group had 225,000 unsecured notes outstanding. On 21 August 2014, 125,000 unsecured convertible notes converted into shares.

During the year, 20,000 secured convertible notes and 120,000 unsecured convertible notes were converted to shares at $0.0278 per share (refer to notes 18 and 19).

All options on issue expired during the year. The balance of options outstanding at 30 June 2014 is nil (2013: 8,691,010).

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

With Eureka's new strategic direction of owning the units in the villages it manages, a key driver of future earnings growth will be increasing the number of units owned by the Group itself. Eureka is confident of significantly increasing full year FY2015 EBITDA, subject to costs specifically associated with acquisitions that must be expensed under accounting standards.

During FY2014 the Group continued its concentration on devising and implementing a more aggressive long-term growth strategy designed to capitalise on the strong underlying fundamentals of the Australian seniors' accommodation sector.

The key platforms of this longer-term growth blueprint are to:

- identify and divest lower/underperforming management rights agreements; and
- utilise these proceeds combined with a balanced mix of equity and debt, to invest in higher returning "bricks and mortar" seniors rental village assets and higher yielding management rights agreements.

Consistent with this strategy, Eureka has:

- Divested its management rights in:
  - The Chermside village for $575,000, which settled on 20 February 2014.
  - The Stafford village for $520,000, which settled on 31 March 2014.
  - The Cleveland village for $700,000, which settled on 5 June 2014.
- Contracted to divest the management rights in Slacks Creek for $910,000, which is expected to settle in September 2014.
- Acquired the freehold land and buildings of the Cascade Gardens Mackay, a 93-unit Seniors Rental Village for $6,075,000. Given Eureka already managed this village, the purchase fits within Eureka's growth strategy to acquire high performing villages and associated management rights.
- Acquired a 14% interest in the Easy Living Unit Trust which owns the Wayford House Independent Seniors Village at Elizabeth Vale, South Australia; and
- Acquired a 10% interest in the Easy Living (Bundaberg) Unit Trust, which owns the Avenell on Vasey Independent Seniors Village in Bundaberg, Queensland with both villages currently managed by Eureka.
- Entered into put and call options to acquire the:
  - 86% interest in the Easy Living Unit Trust; and
  - 90% interest in the Easy Living (Bundaberg) Unit Trust; by no later than 8 December 2014 at a combined consideration of approximately $7.65m (dependant on net assets at the date of completion of acquisition).
- If the put and call options are exercised Eureka will fund these acquisitions through a combination of debt and equity.
- Post year-end, Eureka settled a 51-unit village in Cairns known as Cascade Gardens Smithfield for $3,137,000.

Eureka, at 30 June 2014, owned 99 units with a further 51 units purchased on 3 July 2014 through the acquisition of Cascade Gardens Cairns. Eureka has an interest in the ownership of a further 118 units through the Easy Living Unit Trust

# Directors' Report

and the Easy Living (Bundaberg) Unit Trust. Overall as at 30 June 2014, the Company managed 1,419 units via a mixture of ownership and management rights.

Eureka is rapidly increasing its scale with a much improved balance sheet and revenue mix which will continue to generate greater economies of scale and efficiencies across all spheres of its operations. The weighted average length of each management rights contract held by Eureka is 9.3 years, with a number of renewals awarded post balance date.

Given current and forecast demographic dynamics, the Group considers its service to remain in demand over a long period of time. The Group will continue to seek to improve its balance sheet through consistent earnings and continue to improve the key drivers of occupancy, services take up, and contract length. With a stable management team focused on a clear plan to increase occupancy and service uptake, the Group believes it can grow its earnings substantially in FY2015.

**SUBSEQUENT EVENTS**

The Group settled the acquisition of the freehold land and buildings of Cascade Gardens Cairns, a 53-unit Seniors Rental Village for $3,137,500. The acquisition was partly funded through a $2,000,000 extension to the Group's existing loan facility. As the Group already manages this village, the purchase fits within Eureka's growth strategy to acquire high performing physical villages and associated management rights. The purchase was completed on 3 July 2014.

The Group has extended its management rights agreements at the following villages subsequent to year-end as follows:

- Village Life Capalaba – 10 years
- Eureka Care Communities Condon – 10 years
- Eureka Care Communities Wulguru – 10 years
- Village Life Caboolture – 5 years

These extensions are part of an underlying review Eureka is undertaking across its entire portfolio of villages to ensure adequate returns on each asset are being achieved for shareholders. Each of these renewals are on terms superior to those in place in prior periods.

The Group has executed contracts subsequent to year-end to sell the management rights for SunnyCove Maroochydore and Village Life Toowoomba for $840,000 and $60,000, respectively. The contracts are expected to settle by November 2014.

The Group has issued 1,250,000 shares at $0.10 per share subsequent to year-end following the conversion of $125,000 convertible notes.

A contract has been fully executed during the year for the sale of one managers unit and the management rights at Slacks Creek for $910,000. The sale will settle upon completion of relevant building approvals being obtained and settlement is expected before the end of the 2014 calendar year.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2014 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.

**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.

**INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS**

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

During the financial year the Group has paid a premium of $15,925 for Directors' and Officers' liability for current and former Directors and Officers.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

# Directors' Report

**DIRECTORS AND MEETINGS ATTENDED**

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

| | Director's Meetings | | Audit & Risk Committee Meetings | | Nomination & Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| **Name** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Robin Levison | 5 | 5 | - | - | - | - |
| Lachlan McIntosh | 6 | 6 | 4 | 4 | 1 | 1 |
| Paul Fulloon | 5 | 5 | 4 | 4 | 1 | 1 |
| Greg Rekers | 6 | 6 | - | - | - | - |
| Kerry Potter | 6 | 6 | - | - | - | - |
| Nirmal Hansra | 6 | 6 | 4 | 4 | 1 | 1 |

**INFORMATION ON DIRECTORS**

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

**Robin Levison – Non-Executive Chairman**
(Appointed 24 December 2013)

Robin Levison holds a Masters of Business Administration from the University of Queensland and is a Member of the Institute of Chartered Accountants in Australia. Robin has 14 years of Public Company Management experience. During this time he served as managing Director at Industrea Limited and Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin is also a Deputy Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, Director of St Aidan's Foundation Limited and is a Graduate and Fellow of Australian Institute of Company Directors.

Other listed company directorships in the last 3 years: PPK Group Limited, Industrea Limited (from May 2005 to December 2012).

Special responsibilities: Chair of the Board

**Lachlan McIntosh – Non-Executive Director**
(Resigned as Chairman on 24 December 2013)

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

Other listed company directorships in the last 3 years: Industrea Ltd (from May 2004 to December 2012), New Guinea Gold Corporation (April 2013 to April 2014), Disruptive Investments Limited (from July 2006 to July 2012).

Special responsibilities: Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee

**Greg Rekers – Executive Director and Head of Real Estate**

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

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

Other listed company directorships in the last 3 years: nil

Special responsibilities: nil

# Directors' Report

**Kerry Potter – Executive Director and Chief Operating Officer**

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

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

Other listed company directorships in the last 3 years: nil

Special responsibilities: nil

**Nirmal Hansra – Non-Executive Director**

Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, Institute of Chartered Accountants in Australia and Australian Society of Certified Practicing Accountants.

He has over 40 years of business management and corporate advisory experience. During this time Nirmal had roles as CFO / Finance Director of listed companies such as Industrea Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited.

Nirmal is a non-executive director and chairman of the finance, audit and risk committee of Campbell Page Ltd, Council of the Ageing (COTA) in New South Wales and NF Australia Limited. He is also non-executive director of Kuringai Financial Services Limited and advisory board member of BTO Group Limited.

Other listed company directorships in the last 3 years: nil

Special responsibilities: Chair of Audit & Risk Committee, Chair of Nomination & Remuneration Committee

**Paul Fulloon – Non-Executive Director**
(Resigned 1 May 2014)

Paul Fulloon is an Executive Director of Flex Accounting Pty Ltd a Brisbane based consultancy specialising in the restructuring of small businesses.

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

Other listed company directorships in the last 3 years: nil

Special responsibilities: Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee

**COMPANY SECRETARY**

**Oliver Schweizer – Interim Company Secretary**
(Appointed 3 June 2014)

Oliver was appointed interim Company Secretary in June 2014. Oliver has a Bachelor of Economics degree and is a chartered financial analyst. Oliver has over 15 years' experience in commercial accounting, finance, investments and listed entities.

**Troy Nunan – Former Company Secretary**
(Resigned 3 June 2014)

Troy was appointed as Company Secretary in April 2013 and resigned on 3 June 2014. Troy has a Bachelor of Business degree and is a member of CPA Australia. Troy has over 15 years' experience in commercial accounting roles. Troy was also the Company's Chief Financial Officer.

# Directors' Report

**KEY MANAGEMENT PERSONNEL**

The details of each key management personnel's qualifications, experience and special responsibilities for those in office during the year (excluding Head of Real Estate and Chief Operating Officer noted above) are:

**Ryan Maddock – Chief Financial Officer**
(Appointed 16 June 2014)

Ryan Maddock has a Bachelor of Business with a Major in Accounting from Griffith University and is a Chartered Accountant. Ryan most recently held the role of Senior Financial Accountant at a Perth-based TSX-listed company, with prior roles as an Audit Manager with KPMG and prior to that worked in the business services area at PKF.

**Sharon Alderwick – General Manager**

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

**Troy Nunan – Chief Financial Officer**
(Resigned 3 June 2014)

Troy Nunan has a Bachelor of Business degree and is a member of CPA Australia. He has experience in a range of industries including banking and finance, manufacturing, construction and professional services. Troy has worked for listed, unlisted and private companies for over 15 years. Troy brought to our Company substantial experience in process improvement and implementing organisational change.

**INTEREST IN SHARES AND OPTIONS HELD AT THE DATE OF THIS REPORT**

| | Ordinary shares | Options over ordinary shares |
|---|---|---|
| **Directors** | | |
| Robin Levison | 5,637,942 | - |
| Lachlan McIntosh | 11,249,364 | - |
| Nirmal Hansra | 550,000 | - |
| Greg Rekers | 2,803,940 | - |
| Kerry Potter | 2,799,774 | - |
| Directors Total | 23,041,020 | - |
| **Executives** | | |
| Ryan Maddock | - | - |
| Sharon Alderwick | 347,657 | - |
| Executives Total | 347,657 | - |

**REMUNERATION REPORT (AUDITED)**

This report outlines the remuneration arrangements in place for Eureka Group Holdings Limited's non-executive directors', executive directors and other key management personnel ("KMP") of Eureka Group Holdings Limited for the year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

# Directors' Report

**(a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL**

Compensation of key management personnel comprise fees determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Compensation aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward 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 its directors and executives. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility and the Company's financial performance.

Emoluments comprise the following:

- base pay (salaries/fees) and benefits, including superannuation;
- short-term incentives (bonuses); and
- long-term incentives such as options and shares (although long-term incentives are not immediately contemplated).

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.

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared in relationship between the benefits contained in the employment agreements and the Company's performance in the 2014 financial year.

Remuneration for certain individuals is directly linked to performance of the Group. Bonus payments are dependent on key criteria, being EBITDA and in the prior year, moving the Group loss making position to a profit position. During the 2013 financial year this was achieved and has been subsequently maintained. Refer to the table in section (e) Relationship Between Remuneration and Company Performance for further details.

The Nomination & Remuneration Committee is of the opinion that continued improved results can be achieved in part by the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

**(b) DETAILS OF REMUNERATION**

The names of persons who were key management personnel of Eureka Group Holdings Limited at any time during the financial year are shown in the following table. Key management personnel are defined as those who have a direct impact on the strategic direction of the Company. At the date of this report, the key management personnel of the Group are:

| Name | Role | Period in role |
|---|---|---|
| Robin Levison | Non-Executive Director | 24/12/2013 – ongoing |
| Lachlan McIntosh | Non-Executive Director | 20/07/2009 – ongoing |
| Nirmal Hansra | Non-Executive Director | 24/04/2012 – ongoing |
| Greg Rekers | Executive Director/Head of Real Estate | 24/04/2012 – ongoing |
| Kerry Potter | Executive Director/Chief Operating Officer | 24/04/2012 – ongoing |
| Ryan Maddock | Chief Financial Officer | 16/06/2014 – ongoing |
| Sharon Alderwick | General Manager | 17/05/2011 – ongoing |

# Directors' Report

Key management personnel remuneration for the year ended 30 June 2014:

| | Short term | | Post employment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary/ fees $ | Bonus $ | Super-annuation $ | Share based payments $ | Other long term benefits $ | Termination payments $ | Total $ | Performance related % | % of bonus that was paid | % of bonus that was forfeited |
| **Directors**[1] | | | | | | | | | | |
| Robin Levison[2] | 30,000 | - | - | - | - | - | 30,000 | - | - | - |
| Lachlan McIntosh[3] | 39,000 | - | - | - | - | - | 39,000 | - | - | - |
| Paul Fulloon[4] | 15,001 | - | - | - | - | - | 15,001 | - | - | - |
| Nirmal Hansra | 32,000 | - | - | - | - | - | 32,000 | - | - | - |
| Greg Rekers | 228,948 | - | - | - | - | - | 228,948 | - | - | 100% |
| Kerry Potter | 228,948 | - | - | - | - | - | 228,948 | - | - | 100% |
| Directors Total | 573,897 | - | - | - | - | - | 573,897 | | | |
| **Executives** | | | | | | | | | | |
| Ryan Maddock[5] | 5,000 | - | 462 | - | 422 | - | 5,884 | - | - | - |
| Sharon Alderwick | 120,000 | 15,000 | 12,488 | - | 4,997 | - | 152,485 | 10% | 50% | 50% |
| Troy Nunan[6] | 116,150 | 32,683 | 13,376 | - | - | - | 162,209 | 20% | 100% | - |
| Executives Total | 241,150 | 47,683 | 26,326 | - | 5,419 | - | 320,578 | | | |

1 All Directors fees are paid directly to their respective director related entities. No other benefits are paid.
2 Robin Levison was appointed as Chair of the Board on 24 December 2013
3 Lachlan McIntosh resigned as Chair of the Board on 24 December 2013
4 Paul Fulloon resigned on 1 May 2014
5 Ryan Maddock commenced employment on 16 June 2014
6 Troy Nunan resigned on 3 June 2014

Key management personnel remuneration for the year ended 30 June 2013:

| | Short term | | Post employment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary/ fees $ | Bonus $ | Super-annuation $ | Share based payments $ | Other long term benefits $ | Termination payments $ | Total $ | Performance related % | % of bonus that was paid | % of bonus that was forfeited |
| **Directors**[3] | | | | | | | | | | |
| Lachlan McIntosh | 55,000 | - | - | - | - | - | 55,000 | - | | - |
| Paul Fulloon | 18,334 | - | - | - | - | - | 18,334 | - | | - |
| Nirmal Hansra[1] | 30,000 | - | - | - | - | - | 30,000 | - | | - |
| Greg Rekers | 289,035 | 30,000 | - | - | - | - | 319,035 | 9% | 30% | 70% |
| Kerry Potter | 226,198 | 30,000 | - | - | - | - | 256,198 | 12% | 30% | 70% |
| Directors Total | 618,567 | 60,000 | - | - | - | - | 678,567 | | | |
| **Executives** | | | | | | | | | | |
| Sharon Alderwick | 116,923 | 30,000 | 13,223 | - | - | - | 160,146 | 18% | 100% | - |
| Troy Nunan[2] | 110,000 | - | 9,900 | - | - | - | 119,900 | - | - | - |
| Executives Total | 226,923 | 30,000 | 23,123 | - | - | - | 280,046 | | | |

1 Nirmal Hansra appointed director on 24 April 2012
2 Troy Nunan commenced employment on 2 April 2012
3 All Directors fees are paid directly to their respective director related entities. No other benefits are paid.

# Directors' Report

**(c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY**

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination & Remuneration Committee. 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 $250,000 in aggregate plus statutory superannuation.

The following fees have applied:

| **Base fees** | **$** |
|---|---|
| Robin Levison – Chairman & Non-Executive Director | 60,000 |
| Lachlan McIntosh – Non-Executive Director | 36,000 |
| Nirmal Hansra – Non-Executive Director | 32,000 |

**(d) 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 executive officer, chief financial officer and the other key management personnel are also formalised in service agreements.

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

***Greg Rekers*** *(Executive Director & Head of Real Estate)*
Agreement Commenced 24 April 2012
*Term of the Agreement:*
The Agreement may be terminated by the Company after the first anniversary of the contract provided that the Company pays Mr Rekers a lump sum equal to the value of the salary package for one year. The agreement may be terminated by Mr Rekers with 3 months' notice. The agreement may also be terminated by the Company in the event of grave misconduct.

*Details:*
Mr Rekers remuneration comprises a consulting fee of $200,000 plus 40% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. Mr Rekers' remuneration also comprises additional short-term incentives equal to 50% of his base fee, for reaching agreed upon budgets, adhering to all relevant legislative requirements and reporting financials in a timely manner. Mr Rekers is responsible for the departments of real estate, property development and project marketing for the Company. The directors believe that the remuneration is appropriate for the duties allocated to Mr Rekers. Upon termination subject to adherence of contractual clauses, Mr Rekers is entitled to a lump sum equal to the value of the salary package for 1 year. Mr Rekers will receive no entitlements if terminated for grave misconduct.

***Kerry Potter*** (Executive Director & Chief Operations Officer)
Agreement Commenced 24 April 2012
*Term of the Agreement:*
The Agreement may be terminated by the Company after the first anniversary of the contract provided that the Company pays Mr Potter a lump sum equal to the value of the salary package for one year. The agreement may be terminated by Mr Potter with 3 months' notice. The agreement may also be terminated by the Company in the event of grave misconduct.

*Details:*
Mr Potters' remuneration comprises a consulting fee of $200,000 plus 40% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. Mr Potters' Remuneration also comprises additional short-term incentives equal to 50% of his base fee, for reaching agreed upon budgets, adhering to all relevant legislative requirements and reporting financials in a timely manner. Mr Potter is responsible for the day to day management and operations of the Company. The directors believe that the remuneration is appropriate for the duties allocated to Mr Potter. Upon termination subject to adherence of contractual clauses, Mr Potter is entitled to a lump sum equal to the value of the salary package for 1 year. Mr Potter will receive no entitlements if terminated for grave misconduct.

***Ryan Maddock*** (Chief Financial Officer)
Agreement Commenced 16 June 2014
*Term of the Agreement:*
The agreement may be terminated by either the Company or Mr Maddock with six weeks' notice or by the Company in the event of a material breach of misconduct by Mr Maddock.

*Details:*
Mr Maddock's remuneration comprises a salary of $135,000 plus superannuation contributions. Mr Maddock is responsible for the finance division and the accounting and finance functions of the Company and its associated companies. The

directors believe that the remuneration was appropriate for the duties allocated to Mr Maddock. In the event the Group is purchased by or merged with another company and, if as a result of that purchase or merger Mr Maddock is terminated, the Group must pay Mr Maddock the monthly remuneration for a period of three months. There are no other pay-outs upon resignation or termination, outside of industrial regulations.

***Troy Nunan*** (Chief Financial Officer)
Agreement Commenced 9 March 2012
Resigned 3 June 2014
*Term of the agreement:*
The agreement may be terminated by either the Company or Mr Nunan with one month's notice or by the Company in the event of a material breach of misconduct by Mr Nunan.

*Details:*
Mr Nunan's remuneration comprised a salary of $110,000 plus superannuation contributions. Mr Nunan's remuneration also contained additional incentives for lowering the costs of operating the business. This incentive was to be paid if cost reduction targets are met to a maximum of $30,000. Mr Nunan was responsible for the finance division and the accounting and finance functions of the Company and its associated companies as well as act as Company Secretary. The directors believe that the remuneration was appropriate for the duties allocated to Mr Nunan. There are no pay-outs upon resignation or termination, outside of industrial regulations.

***Sharon Alderwick*** (General Manager)
Agreement Commenced 1 September 2011
*Term of the Agreement:*
The agreement may be terminated by either the Company or Mrs Alderwick with one months' notice or by the Company in the event of a material breach of misconduct by Mrs Alderwick.

*Details:*
Mrs Alderwick's remuneration comprises a salary of $120,000 plus superannuation contributions and performance incentive payment of up to $30,000 payable at the discretion of the Board. Mrs Alderwick is responsible for the day to day operations of the Company and its associated companies. The directors believe that the remuneration is appropriate for the duties allocated to Mrs Alderwick. There are no pay-outs upon resignation or termination, outside of industrial regulations.

### (e) RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following table shows the revenue, net profit before tax, earnings per share, share price and dividend per share for the past 5 years of the Company. The factors that are considered to affect remuneration are summarised below:

| | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| Revenue | 10,337,556 | 10,873,669 | 15,593,470 | 14,099,699 | 11,247,998 |
| Net Profit before tax | 661,272 | 74,932 | 686,488 | (1,242,627) | (1,061,846) |
| EBITDA | 1,512,223 | 865,296 | 1,632,463 | (48,381) | 244,334 |
| Earnings per share | 0.80 | 0.10 | 1.37 | (3.51) | (0.56) |
| Share price at year end | 0.12 | 0.065 | 0.10 | 0.09 | 0.13 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### (f) REMUNERATION CONSULTANTS

The Group did not engage any remuneration consultants during the 2014 financial year.

# Directors' Report

## (g) 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.

| | Balance 1 July 2013 | Received as remuneration | Shares acquired | Options exercised | Other movements | Balance 30 June 2014 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Robin Levison | 5,487,942[1] | - | 150,000 | - | - | 5,637,942 |
| Lachlan McIntosh | 10,308,336 | - | 941,028 | - | - | 11,249,364 |
| Nirmal Hansra | 400,000 | - | 150,000 | - | - | 550,000 |
| Greg Rekers | 2,653,940 | - | 150,000 | - | - | 2,803,940 |
| Kerry Potter | 2,649,774 | - | 150,000 | - | - | 2,799,774 |
| Paul Fulloon | - | - | - | - | - | - |
| **Executives** | | | | | | |
| Sharon Alderwick | 347,657 | - | - | - | - | 347,657 |
| Ryan Maddock | - | - | - | - | - | - |
| Troy Nunan | - | - | - | - | - | - |
| Total | 21,847,649 | - | 1,541,028 | - | - | 23,388,677 |

[1] Balance of shares held by Robin Levison on the date he was appointed a director, being 19 December 2013.

### *Options held*

The numbers of options over ordinary securities held during the financial year by each director of the Group and other key management personnel of the Group, including their personally related parties, are set out below:

| | Balance 1 July 2013 | Received as remuneration | Options acquired | Options expired | Other movements | Balance 30 June 2014 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Robin Levison | - | - | - | - | - | - |
| Lachlan McIntosh | 1,000,500 | - | - | (1,000,500) | - | - |
| Nirmal Hansra | 133,400 | - | - | (133,400) | - | - |
| Greg Rekers[1] | 800,400 | - | - | (800,400) | - | - |
| Kerry Potter[1] | 800,400 | - | - | (800,400) | - | - |
| Paul Fulloon | - | - | - | - | - | - |
| **Executives** | | | | | | |
| Sharon Alderwick | - | - | - | - | - | - |
| Ryan Maddock | - | - | - | - | - | - |
| Troy Nunan | - | - | - | - | - | - |
| Total | 2,734,700 | - | - | (2,734,700) | - | - |

[1] The options relating to Greg Rekers and Kerry Potter are the same options held by Navigator Pty Ltd. All options are unlisted and were issued as part of the issue of convertible notes issue approved at the 2011 AGM.

# Directors' Report

### (h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

As at 30 June 2014, total loans outstanding to Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, from Eureka Group Holdings Limited, amounted to $100,099 (2013: $18,616) consisting of $100,000 principal and $99 in capitalised interest.

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Balance at beginning of year | 18,616 | 79,300 |
| Increase in loan amount | 100,000 | - |
| Loan repayments made | (18,616) | (48,077) |
| Interest charged | 99 | 2,393 |
| Conversion of debt to convertible notes/shares | - | (15,000) |
| Amount included in Financial Liabilities – Shareholder Loans | 100,099 | 18,616 |

The following convertible notes were issued to the following entities during the year:

| | | |
|---|---|---|
| ***Convertible Note: Kathlac Pty Ltd*** *(entity associated with Lachlan McIntosh)* | | |
| Balance at beginning of the year | - | - |
| Proceeds received on issue of convertible notes | 50,000 | - |
| Interest charged | 1,863 | |
| Interest paid | (616) | - |
| Balance at end of the year | 51,247 | |

| | | |
|---|---|---|
| ***Convertible Note: Ignition Capital Pty Ltd and Ignition Capital No. 2 Pty Ltd*** *(entities associated with Robin Levison)* | | |
| Balance at beginning of the year | - | - |
| Proceeds received on issue of convertible notes | 400,000 | - |
| Interest charged | 21,589 | - |
| Interest paid | (11,616) | |
| Conversion of convertible notes to shares | - | - |
| Balance at beginning of the year | 409,973 | - |

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

### (i) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

***Dotted Line Pty Ltd***
The Company trades from a premise owned by Dotted Line Pty Ltd, a company associated with Greg Rekers. The premises is rented on commercial terms. During the year rent amount to $39,600 was paid (2013: $39,600). As at 30 June 2014 the amount outstanding to Rekers Family Trust was $nil (2013: $nil)

***Greg Rekers & Associates***
During the year, Greg Rekers & Associates, an entity associated with Greg Rekers, received underwriting fees of $9,841 on commercial terms (2013: $nil). At 30 June 2014 the amount outstanding to Greg Rekers & Associates was $nil (2013: $nil).

***Sothertons Chartered Accountants***
During the year, Sothertons Chartered Accountants, (of which Lachlan McIntosh was a shareholder until 31 March 2014) received tax advice related fees of $29,334 on commercial terms (2013: $29,693). At 30 June 2014 the amount outstanding to Sothertons was $nil (2013: $28,263).

***Griffith Scenic Village Pty Ltd***
Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group caretaking and management fees of $26,727 on commercial terms (2013: $48,462). As at 30 June 2014 the amount outstanding from Griffith Scenic Village Pty Ltd was $nil (2013: $nil)

# Directors' Report

***Gladstone Scenic Village Pty Ltd***
Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $39,600 on commercial terms (2013: $20,513). As at 30 June 2014 the amount outstanding from Gladstone Scenic Village Pty Ltd was $nil (2013: $nil)

***Elizabeth Vale Scenic Village Pty Ltd***
Elizabeth Vale Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $29,638 on commercial terms (2013: $45,259). As at 30 June 2014 the amount outstanding from Elizabeth Vale Scenic Village Pty Ltd was $Nil (2013: $Nil).

***Kathlac Pty Ltd***
During the year, Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, received underwriting fees of $9,841 on commercial terms (2013: $nil). At 30 June 2014 the amount outstanding to Kathlac Pty Ltd was $nil (2013: $nil).

***Ignition Equity Partners Pty Ltd***
During the year, Ignition Equity Partners Pty Ltd, an entity associated with Robin Levison, received underwriting fees of $9,841 on commercial terms (2013: $nil). At 30 June 2014 the amount outstanding to Ignition Equity Partners Pty Ltd was $nil (2013: $nil).

***Ignition Capital Pty Ltd***
During the year, Ignition Capital Pty Ltd, an entity associated with Robin Levison, acquired 300,000 secured convertible notes with a face value of $1.00 that mature on 31 January 2016. The notes are convertible into shares at $0.06 and interest is payable at the rate of 10% per annum (2013: $nil). At 30 June 2014 the amount outstanding from Ignition Capital Pty Ltd was $300,000 (2013: $nil).

***Ignition Capital No. 2 Pty Ltd***
During the year, Ignition Equity Capital Pty Ltd, an entity associated with Robin Levison, acquired 100,000 secured convertible notes with a face value of $1.00 that mature on 31 January 2016. The notes are convertible into shares at $0.06 and interest is payable at the rate of 10% per annum (2013: $nil). At 30 June 2014 the amount outstanding from Ignition Capital Pty Ltd was $100,000 (2013: $nil).

***FTI Consulting (Australia) Pty Ltd***
During the year the Group has accrued consulting fees of $130,000 payable to FTI Consulting (Australia) Pty Ltd, an entity that employs Lachlan McIntosh (2013: $nil).

***This concludes the remuneration report, which has been audited.***

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit Pty Ltd, to provide the directors of Eureka Group Holdings Limited with an Independence Declaration in relation to the audit of the consolidated financial report. This Independence Declaration is set out on page 21 and forms part of the Directors' Report for the year ended 30 June 2014.

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

**Robin Levison**
Chairman

Dated in Brisbane this 28th day of August, 2014

# Corporate Governance

## INTRODUCTION

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

## PRINCIPLE 1

## LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Functions and Responsibilities of the Board

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

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

## PRINCIPLE 2

## STRUCTURE THE BOARD TO ADD VALUE

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

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

  The composition of the current board is slightly different to the above principles and is expected to remain so during its consolidation period. The board has appointed Robin Levison as Non-executive Chairman.
- The Group has one Independent Director in Nirmal Hansra and three non-executive Directors out of a total of five.

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

### Committees

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

## PRINCIPLE 3

## PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Ethical Standards and Values

All Directors and Officers of EGH must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, act in accordance with the interests of Shareholders,

# Corporate Governance

staff, clients and all other stakeholders of EGH. The Directors must comply with the Code of Ethics in the exercise of their duties.

The Board has adopted a Diversity Policy that outlines the objectives in relation to gender, age, cultural background and ethnicity. The policy considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions and processes to include review and appointment of directors. EGH promotes an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that the Group's employees bring to the table encourage creativity and innovation in thought that better represents the Group's diverse customer base, ultimately driving improved business performance.

The policy does not include measureable objectives for achieving gender diversity as the Group has always had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. This is evidenced by the proportion of women employees in the Group as at 30 June 2014:

| | |
|---|---|
| Women on the board | 0% |
| Women in senior executive positions | 25% |
| Women in the organisation | 55% |

Responsibility for diversity has been included in the Board Charter and the Remuneration Charter.

**Dealings in Securities**

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

**PRINCIPLE 4**

**SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

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

The Audit & Risk Committee currently has two members Nirmal Hansra (Chairman) and Lachlan McIntosh. The blend of experience and skills assembled on the Committee is considered appropriate for the Group at this stage of its development.

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

**Financial Reporting**

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

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

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

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

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

# Corporate Governance

**Quality and Integrity of Personnel**

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

**Investment Appraisal**

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

**Operating Unit Controls**

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

**PRINCIPLE 5**

**MAKE TIMELY AND BALANCED DISCLOSURE**

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

**PRINCIPLE 6**

**RESPECT THE RIGHTS OF SHAREHOLDERS**

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

**PRINCIPLE 7**

**RECOGNISE AND MANAGE RISK**

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

The Executive Directors and Chief Financial Officer must each provide a statement to the Board to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

**PRINCIPLE 8**

**REMUNERATE FAIRLY AND RESPONSIBLY**

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

The Board has established a Nomination & Remuneration Committee and has adopted a Nomination & Remuneration Committee Charter.

The Nomination & Remuneration Committee:

- is chaired by Nirmal Hansra who is an independent director; and
- consists of all non-executive board members.

# Auditor’s Independence Declaration

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Brisbane Qld 4000
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Australia

**DECLARATION OF INDEPENDENCE BY KIM COLYER TO THE DIRECTORS OF EUREKA GROUP HOLDINGS LIMITED**

As lead auditor of Eureka Group Holdings Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**K L Colyer**

Director

**BDO Audit Pty Ltd**

Brisbane, 28 August 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|---|
| Revenue | 3 | 10,137,556 | 10,873,669 |
| Other income | 3 | 524,130 | 4,771 |
| **Expenses** | | | |
| Food, beverage and consumables | | (6,638,568) | (7,359,976) |
| Impairment – management rights | 14 | (37,564) | (34,266) |
| Impairment – assets held for sale | | - | (37,080) |
| Employee benefits expenses | | (766,510) | (954,659) |
| Finance expense | 4 | (569,041) | (490,683) |
| Community operating expenses | | (70,729) | (20,904) |
| Marketing expenses | | (8,070) | (4,154) |
| Consultancy expenses | | (412,886) | (468,018) |
| Depreciation & amortisation expenses | 4 | (281,910) | (299,681) |
| Lease expenses | 4 | (513,360) | (626,902) |
| Other expenses | | (701,776) | (507,185) |
| **Profit before income tax expense** | | 661,272 | 74,932 |
| Income tax expense | 5 | - | - |
| **Profit after income tax expense** | | 661,272 | 74,932 |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit or loss | | - | - |
| Items that will not be reclassified to profit or loss | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive income for the year** | | 661,272 | 74,932 |
| Basic earnings per share (cents per share) | 23 | 0.80 | 0.10 |
| Diluted earnings per share (cents per share) | 23 | 0.80 | 0.09 |

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 2014

| | Note | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 20 | 1,285,115 | 465,676 |
| Trade and other receivables | 6 | 368,215 | 530,587 |
| Inventories | 7 | 10,000 | 41,543 |
| Assets classified as held for sale | 8 | 1,047,304 | 1,492,725 |
| Other assets | 9 | 228,513 | 92,100 |
| Total current assets | | 2,939,147 | 2,622,631 |
| **Non-Current Assets** | | | |
| Available for sale financial assets | 10 | 235,124 | - |
| Other financial assets | 11 | 294,570 | - |
| Property, plant and equipment | 13 | 7,428,350 | 1,290,686 |
| Intangible assets | 14 | 4,808,370 | 5,467,707 |
| Total non-current assets | | 12,766,414 | 6,758,393 |
| **Total Assets** | | 15,705,561 | 9,381,024 |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 719,761 | 610,420 |
| Other financial liabilities | 18 | 1,251,183 | 1,761,643 |
| Provisions | 16 | 37,810 | 42,444 |
| Total current liabilities | | 2,008,754 | 2,414,507 |
| **Non-current liabilities** | | | |
| Other financial liabilities | 18 | 7,159,000 | 2,949,000 |
| Total non-current liabilities | | 7,159,000 | 2,949,000 |
| **Total Liabilities** | | 9,167,754 | 5,363,507 |
| **Net Assets** | | 6,537,807 | 4,017,517 |
| **Equity** | | | |
| Share capital | 19 | 46,035,355 | 44,176,337 |
| Accumulated losses | | (39,497,548) | (40,158,820) |
| **Total Equity** | | 6,537,807 | 4,017,517 |

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 2014

| | Note | Consolidated 30 June 2014 $ | 30 June 2013 $ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | 10,299,929 | 12,139,007 |
| Payments to suppliers & employees | | (9,189,343) | (12,100,344) |
| Interested received | | 30,988 | 4,771 |
| Interest paid | | (431,867) | (490,683) |
| Net Cash provided by/(used) in Operating Activities | 20(b) | 709,707 | (447,249) |
| **Cash Flows from Investing Activities** | | | |
| Payments for property, plant and equipment | | (6,650,905) | (75,384) |
| Proceeds from the sale of non-current assets held for sale | | 1,775,000 | - |
| Payments made to sell non-current assets held for sale | | (45,910) | - |
| Deposit received on non-current assets held for sale | | 271,000 | - |
| Acquisition of available for sale financial assets | | (235,124) | - |
| Payments for loans provided | | (294,570) | - |
| Payments for intangible assets | | (7,424) | (72,298) |
| Net Cash provided by/(used) in Investing Activities | | (5,187,933) | (147,682) |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from borrowings | | 4,602,837 | 274,596 |
| Repayment of borrowings | | (700,471) | (290,000) |
| Proceeds from share issues | 19 | 1,454,000 | 189,395 |
| Payments for share issue costs | | (58,701) | (8,443) |
| Net Cash provided by/(used in) Financing Activities | | 5,297,665 | 165,548 |
| **Net increase/(decrease) in cash and cash equivalents** | | 819,439 | (429,383) |
| Cash and cash equivalents at the beginning of the financial year | | 465,676 | 895,059 |
| **Cash and cash equivalents at the end of the financial year** | 20(a) | 1,285,115 | 465,676 |

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 2014

| | Share Capital $ | Consolidated Accumulated Losses $ | Total $ |
|---|---|---|---|
| **For the year ended 30 June 2014** | | | |
| Balance at 1 July 2013 | 44,176,337 | (40,158,820) | 4,017,517 |
| Profit/(loss) for the year | - | 661,272 | 661,272 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | - | 661,272 | 661,272 |
| *Transactions with owners in their capacity as owners:* | | | |
| Share issued during the year | 1,917,718 | - | 1,917,718 |
| Capital raising costs | (58,700) | - | (58,700) |
| **Balance at 30 June 2014** | 46,035,355 | (39,497,548) | 6,537,807 |
| **For the year ended 30 June 2013** | | | |
| Balance at 1 July 2012 | 43,930,780 | (40,233,752) | 3,697,028 |
| Profit/(loss) for the year | - | 74,932 | 74,932 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | | 74,932 | 74,932 |
| *Transactions with owners in their capacity as owners:* | | | |
| Shares issued during the year | 254,000 | - | 254,000 |
| Capital raising costs | (8,443) | - | (8,443) |
| **Balance at 30 June 2013** | 44,176,337 | (40,158,820) | 4,017,517 |

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 2014

## 1. INTRODUCTION

Eureka Group Holdings Limited (covering the financial statements of Eureka Group Holdings Limited and all of its subsidiaries) ("EGH" or the "Group" or the "Consolidated Entity") for the year ended 30 June 2014 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 and rounded to the nearest dollar.

The registered office of the company is Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227.

The financial report was authorised for issue on 28 August 2014 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.

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 and amended 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 any significant impact on the financial performance or position of the Group. The following Accounting Standards and Interpretations are most relevant to the Group:

*AASB 10 Consolidated Financial Statements*
The Group has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

*AASB 11 Joint Arrangements*
Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group does not have any joint arrangements and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 11 Joint Arrangements.

*AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
The Group has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Other new standards that are applicable for the first time for the 30 June 2014 financial report are AASB 13 *Fair Value Measurement*, AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. These standards have introduced new disclosures but did not affect Group's accounting policies or any of the amounts recognised in the financial statements.

*Early adoption of standards*
The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

# Notes to the Financial Statements



*Historical cost convention*
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

**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 2014 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the *'business combinations'* accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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.

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.

**REVENUE RECOGNITION**

*Management, Property Maintenance, Catering and Service Fees*
The Group is entitled to receive a fee from unit owners for managing the units under management services agreements. The Group also receives a fee from the tenants of the units for the provision of property maintenance, catering and other services. Revenue is recognised when the services are provided.

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

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

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

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

The Company 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.

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

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.

# Notes to the Financial Statements



**OPERATING SEGMENTS**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') - being the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**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 receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**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 | 25-50% | SL/DV |
| Manager units | 2.5% | SL |
| Village property | 2.5% | SL |

**INVENTORIES**

Inventories comprise of catering stock and the inventory is valued at the lower of cost and net realisable value.

**INTANGIBLES**

Only intangibles that have been purchased or paid for by the Group are recognised in the accounts.  Internally generated intangibles such as management rights on Communities that the Group has constructed are not 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, or over the period of the management right contract.

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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.

**IMPAIRMENT OF ASSETS**

*Financial Assets*
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is reclassified to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

*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 then 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.

**FINANCIAL ASSETS AND LIABILITIES**

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

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

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

**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 is relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 national government bonds with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

**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.

**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.

**SHARE BASED PAYMENTS**

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

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

**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 the lease’s inception at the fair value of the leased property or, if lower 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.

**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 monthly 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.

# Notes to the Financial Statements



**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 AND ESTIMATES**

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

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

*Goodwill*
The Group tests annually, or more frequently, if events or changes in circumstances indicate impairment on whether goodwill has suffered any 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 14 for further information.

*Amortisation of Management Rights*
The Group amortises its management rights over a period of 40 years. 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 considered the expected usage of the assets, the legal rights over the asset and the renewal period of the management right 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 agreement period.

*Non-recognition 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 losses.

**PARENT ENTITY**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. 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 associates 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 2014 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments and its consequential amendments*
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition

and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Group will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

*AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the Group.

*Annual Improvements to IFRSs 2010-2012 Cycle*
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

*Annual Improvements to IFRSs 2011-2013 Cycle*
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

*IFRS 15 Revenue from Contracts with Customers*
This standard establishes a single revenue recognition framework and supersedes IAS 11 Construction Contracts, IAS 18 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue – Barter Transaction Involving Advertising Services. This standard is applicable to annual reporting periods beginning on or after 1 January 2017, with early adoption permitted once approved by the AASB in Australia. Under the new standard, an entity should recognise revenue to depict the transfer of promised goods and 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. Hence, the revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently in IAS 18 Revenue. This new standard requires the use of either method using retrospective application to each reporting period in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or retrospective application with the cumulative effect of initially applying IFRS 15 recognised directly in equity. The Group is currently assessing the impact of this standard.

## 3. REVENUE

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| **Revenue** | | |
| Catering | 5,558,928 | 4,616,285 |
| Service fees | 2,115,805 | 2,874,231 |
| Management | 307,136 | 748,980 |
| Property maintenance | 1,515,214 | 1,551,901 |
| Rental income | 280,386 | 42,994 |
| Other revenue | 360,087 | 1,039,278 |
| | 10,137,556 | 10,873,669 |
| **Other Income** | | |
| Interest revenue | 30,988 | 4,771 |
| Forgiveness of debt | 200,000 | - |
| Gain on sale of management rights and managers unit | 293,142 | - |
| | 524,130 | 4,771 |

## 4. ITEMS INCLUDED IN PROFIT/(LOSS)

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

| | | |
|---|---|---|
| Rental expense relating to operating leases | | |
| - Minimum lease payments | 513,360 | 626,902 |
| | | |
| Finance cost | | |
| - Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss | 569,041 | 490,683 |
| Total finance cost | 569,041 | 490,683 |
| | | |
| Amortisation | | |
| - Management rights | 170,226 | 201,639 |
| - Plans & trademarks | 105 | 106 |
| - Sale rolls | 9,242 | 9,243 |
| - Website | 186 | - |
| Total amortisation | 179,759 | 210,988 |
| | | |
| Depreciation | | |
| - Village property | 35,630 | - |
| - Plant & equipment | 45,480 | 48,513 |
| - Manager units | 21,041 | 40,180 |
| Total depreciation | 102,151 | 88,693 |
| | | |
| Defined contribution superannuation expense | 63,094 | 129,253 |

# Notes to the Financial Statements



## 5. INCOME TAX

| | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|
| The components of tax expense comprise: | | |
| Current tax | 143,099 | 22,480 |
| Deferred tax expense on temporary differences current year | 18,167 | 160 |
| Deferred tax asset not recognised on current year loss | 161,266 | 22,640 |
| | | |
| Profit before income tax expense | 661,272 | 74,932 |
| Income tax calculated at 30% (2013: 30%) | 198,382 | 22,480 |
| Tax effect on permanent differences | | |
| - Entertainment | 675 | 130 |
| - Fines/Penalties | - | 30 |
| - Legal fees | 4,645 | - |
| - Property costs | (549) | - |
| - Capital profits | (56,916) | - |
| - Debt forgiven | (60,000) | - |
| - Amortisation of intangibles | 64,570 | - |
| - Impairment of intangibles | 10,369 | - |
| Deferred tax asset not recognised on current year loss | (161,176) | (22,640) |
| Income tax expense | - | - |
| | | |
| *Tax losses* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 34,638,902 | 35,256,163 |
| Potential tax benefit at 30% | 10,391,671 | 10,576,849 |
| | | |
| *Unrecognised deferred tax assets* | | |
| Temporary differences which have not been recognised: | | |
| Employee benefits | 4,632 | 61,031 |
| Assessable temporary differences | 71,444 | 849,558 |
| Potential tax benefit at 30% | 22,823 | 273,176 |
| | | |
| *Unrecognised deferred tax liabilities* | | |
| Temporary differences which have not been recognised: | | |
| Assessable temporary differences | 15,520 | 10,400 |
| Unrecognised deferred tax liabilities relating to the above temporary differences at 30% (2013: 30%) | 4,656 | 3,120 |

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.

## 6. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Trade debtors | 187,072 | 351,847 |
| Other debtors | 184,892 | 182,489 |
| Provision for doubtful debts | (3,749) | (3,749) |
| | 368,215 | 530,587 |

# Notes to the Financial Statements



## 7. INVENTORIES

| | Consolidated 30 June 2014 $ | 30 June 2013 $ |
|---|---|---|
| Catering inventory – at cost | 10,000 | 41,543 |
| | 10,000 | 41,543 |

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

| | | |
|---|---|---|
| Non-current assets held for sale: | | |
| - Property, plant & equipment - managers units | 541,088 | 939,965 |
| - Intangible assets - management rights | 506,216 | 552,760 |
| | 1,047,304 | 1,492,725 |

As at 30 June 2014, assets held for sale consist of:

- Slacks Creek - Two manager's units and management rights; and
  Village Life Toowoomba - management rights.

A contract has been fully executed during the year for the sale of one managers unit and the management rights at Slacks Creek for $910,000 ($271,000 deposit received during the year). The sale will settle upon completion of relevant building approvals being obtained and settlement is expected before the end of the 2014 calendar year. The Group has executed a contract subsequent to year-end to sell the management rights for Village Life Toowoomba for $60,000 and the sale is expected to settle by November 2014. The Group has engaged Resort Brokers to market the remaining managers unit and expects to sell this asset in the second half of the 2014 calendar year.

The Directors have considered the capital adequacy requirements of the Group, including cash flows pertaining to operations and capital transactions. The Directors will continue in an orderly manner to divest the non-core assets which includes real estate and low contribution management rights.

Assets held for sale as at 30 June 2013 included:

- Chermside - managers unit and management rights (sold during the 2014 financial year: net gain on sale $228,980);
- Stafford - managers unit and management rights (sold during the 2014 financial year: net loss on sale $35,337);
- Cleveland - managers unit and management rights (sold during the 2014 financial year: net gain on sale $74,388); and
- Albury and Wodonga - management rights (transferred back into intangible assets during the 2014 financial year).

## 9. OTHER ASSETS

| | | |
|---|---|---|
| Deposits paid to acquire properties | 125,000 | - |
| Prepayments | 103,513 | 92,100 |
| | 228,513 | 92,100 |

## 10. AVAILABLE FOR SALE FINANCIAL ASSETS

| | | |
|---|---|---|
| Investments in unit trusts – at cost | 235,124 | - |
| | 235,124 | - |

During the year the Group acquired 14% of the Easy Living Unit Trust and 10% of the Easy Living (Bundaberg) Trust (collectively referred to as 'the Trusts') for $235,124. The Trusts own the 60-unit Wayford House in Adelaide and the 54-unit Avenell on Vasey in Bundaberg, which the Group currently manages. As part of the transaction, the Group loaned $294,570 to the Trustee to part-pay Unit Holder's Loans payable to the Trusts. These loans have been disclosed in the Consolidated Statement of Financial Position as non-current financial assets – refer note 11.

In addition, Put and Call Option Deeds were entered into during the period to acquire the remaining balance of the units for a combined consideration of $8.2m less the value of Eureka's partial holding in both trusts and the bank debt at completion date in each trust (which is currently at a combined amount of $3,700,000). The Call Option can be exercised by the Group during the period 1 January 2014 and 30 October 2014 and the Put Option can be exercised by the Unit Holders during the period 1 November 2014 to 14 November 2014.

## 11. OTHER FINANCIAL ASSETS

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Loans – unit trust | 294,570 | - |
| | 294,570 | - |

The loans to the unit trusts are interest free and repayable on 16 February 2017 and 30 September 2017. Security for the loan consists of an unregistered second mortgage over the properties owned by the trusts.

## 12. INVESTMENT IN SUBSIDIARIES

| | | Equity Holding | |
|---|---|---|---|
| | Country of Incorporation | 30 June 2014 % | 30 June 2013 % |
| SCV No. 1 Pty Ltd | Australia | 100% | 100% |
| SCV No. 2 Pty Ltd | Australia | 100% | 100% |
| SCV Leasing Pty Ltd | Australia | 100% | 100% |
| Eureka Property Pty Ltd | Australia | 100% | 100% |
| SCV Manager Pty Ltd | Australia | 100% | 100% |
| Compton's Villages Australia Unit Trust | Australia | 100% | 100% |
| Compton's Caboolture Pty Ltd | Australia | 100% | 100% |
| Eureka Care Communities Unit Trust | Australia | 100% | 100% |
| Eureka Care Communities Pty Ltd | Australia | 100% | 100% |
| Eureka Cascade Gardens Pty Ltd | Australia | 100% | 100% |
| Eureka Cascade Gardens (Cairns) Pty Ltd | Australia | 100% | - |
| Eureka Group Care Pty Ltd | Australia | 100% | 100% |

## 13. PROPERTY, PLANT & EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Village land and buildings – at cost | 6,555,784 | - |
| Accumulated depreciation | (35,630) | - |
| | 6,520,154 | - |
| Managers units at cost | 830,962 | 1,237,693 |
| Accumulated depreciation | (139,756) | (132,588) |
| | 691,206 | 1,105,105 |
| Plant & equipment at cost | 925,268 | 848,380 |
| Accumulated depreciation | (708,278) | (662,799) |
| | 216,990 | 185,581 |
| Total property, plant & equipment | 7,428,350 | 1,290,686 |

Property, plant and equipment is pledged as security – refer note 18 (b)

Reconciliation of movements in property, plant & equipment:

| | Village land and buildings $ | Manager's Units $ | Plant & Equipment $ | Total $ |
|---|---|---|---|---|
| Opening balance at 1 July 2012 | - | 731,888 | 318,597 | 1,050,485 |
| Additions at cost | - | 63,776 | 11,608 | 75,384 |
| Disposals | - | - | (130,866) | (130,866) |
| Transfer (to)/from assets held for sale[1] | - | 349,621 | 34,755 | 384,376 |
| Depreciation expense | - | (40,180) | (48,513) | (88,693) |
| Closing balance at 30 June 2013 | - | 1,105,105 | 185,581 | 1,290,686 |
| | | | | |
| Opening balance at 1 July 2013 | - | 1,105,105 | 185,581 | 1,290,686 |
| Additions at cost | 6,555,784 | 148,230 | 76,889 | 6,780,903 |
| Disposals | - | - | - | - |
| Transfer (to)/from assets held for sale | - | (541,088) | - | (541,088) |
| Depreciation expense | (35,630) | (21,041) | (45,480) | (102,151) |
| Closing balance at 30 June 2014 | 6,520,154 | 691,206 | 216,990 | 7,428,350 |

**14. INTANGIBLE ASSETS**

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Intellectual property – at cost | 1 | 1 |
| | | |
| Management rights – at cost | 3,565,065 | 4,064,222 |
| Accumulated amortisation | (831,319) | (673,249) |
| Carrying amount of management rights | 2,733,746 | 3,390,973 |
| | | |
| Plans & trademarks – at cost | 27,749 | 27,749 |
| Accumulated amortisation | (26,728) | (26,623) |
| Carrying amount of plans & trademarks | 1,021 | 1,126 |
| | | |
| Rent rolls – at cost | 138,574 | 138,571 |
| Accumulated amortisation | (27,724) | (18,479) |
| Carrying amount of sale rolls | 110,850 | 120,092 |
| | | |
| Website – at cost | 7,424 | - |
| Accumulated amortisation | (186) | - |
| Carrying amount of website | 7,238 | - |
| | | |
| Goodwill | 1,955,515 | 1,955,515 |
| | | |
| Total intangible assets | 4,808,370 | 5,467,707 |

The Group's primary business activity is the management (through management rights agreements) of senior's accommodation throughout Australia. The Group's primary intangible assets are management rights and goodwill. These intangible assets, although separately classified per accounting standard requirements, all relate to the management of senior's accommodation. Their separate categorisation has arisen from acquisitions. The management rights intangible assets are amortised over 40 years, or over the period of the management right contract, reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Group, while the goodwill is tested periodically for impairment.

Goodwill is monitored by the Board of Directors (who are identified as the chief operating decision makers) based on the share of results of the owner operators net profit of the villages that EGH manages, less any overhead costs attributable to the management of these villages. The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by the board of directors and extrapolated for a further 3 years using a steady rate, together with a terminal value.

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 (2013: 2%) to the most recent years' cash flows;
- the terminal value was calculated using a growth rate of 2% (2013: 2%);
- cash flows have been discounted using a pre-tax discount rate of 25% (2013: 25%);
- cash flows do not take into account the management of any new villages; and
- cash flows are based on historical results.

The 2% growth rate for the projected cash flow is considered conservative when compared with the business activities over the previous 12 months. The Group expects a steady growth in revenue under the new management team and business structure.

The recoverable amount of the CGU, $3,262,000 as at 30 June 2014, has been determined using the above key assumptions. If the pre-tax discount rate applied to the cash projections of the cash generating unit was increased by 500 basis points, the recoverable amount of the cash generating unit is still greater than the carrying amount. If the cash flows' projection over a five year period was reduced by 50 basis points, the recoverable amount of the cash generating unit is still greater than the carrying amount. No reasonably possible change in any of the other key assumptions could cause the carrying amount of the goodwill to exceed its recoverable amount. As a result of this, the directors did not identify impairment for this CGU.

Reconciliation of movements in intangible assets:

| | Intellectual Property $ | Management Rights $ | Plans & Trademarks $ | Rent Rolls $ | Goodwill $ | Website $ | Total $ |
|---|---|---|---|---|---|---|---|
| Opening balance at 1 July 2012 | 1 | 3,389,627 | 1,232 | 129,335 | 1,955,515 | - | 5,475,710 |
| Additions at cost | - | 71,297 | - | - | - | - | 71,297 |
| Impairment of management rights | - | (34,266) | - | - | - | - | (34,266) |
| Transfer to/from assets held for sale | - | 165,954 | - | - | - | - | 165,954 |
| Amortisation expense | - | (201,639) | (106) | (9,243) | - | - | (210,988) |
| Closing balance at 30 June 2013 | 1 | 3,390,973 | 1,126 | 120,092 | 1,955,515 | - | 5,467,707 |
| Opening balance at 1 July 2013 | 1 | 3,390,973 | 1,126 | 120,092 | 1,955,515 | - | 5,467,707 |
| Additions at cost | - | - | - | - | - | 7,424 | 7,424 |
| Impairment of management rights | - | (37,564)* | - | - | - | - | (37,564) |
| Transfer to/from assets held for sale | - | (449,437) | - | - | - | - | (449,437) |
| Amortisation expense | - | (170,226) | (105) | (9,242) | - | (186) | (179,759) |
| Closing balance at 30 June 2014 | 1 | 2,733,746 | 1,021 | 110,850 | 1,955,515 | 7,238 | 4,808,370 |

*Based on the impairment review performed at 30 June 2014, the management rights at Wynnum have been impaired.

The remaining amortisation period on a weighted average basis of the management rights are 31 years (2013: 32 years).

# Notes to the Financial Statements



### 15. TRADE & OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 30 June 2014<br>$ | 30 June 2013<br>$ |
| Trade creditors and accruals | 448,761 | 610,420 |
| Deposits collected for sale of assets[1] | 271,000 | - |
| | 719,761 | 610,420 |

[1] Deposits received in relation to Slacks Creek non-current assets held for sale (refer note 8 for further details)

### 16. PROVISIONS

| | | |
|---|---|---|
| **Current** | | |
| Employee benefits | 37,810 | 42,444 |
| | 37,810 | 42,444 |

### 17. DIVIDENDS

There were no dividends paid or declared during the year ended 30 June 2014 or the year ended 30 June 2013.

### 18. OTHER FINANCIAL LIABILITIES

| | | Consolidated | |
|---|---|---|---|
| | | 30 June 2014<br>$ | 30 June 2013<br>$ |
| **Current** | | | |
| Shareholder loans | (c) | 554,011 | 1,036,643 |
| Convertible notes | (a) | 248,217 | 365,000 |
| Commercial bills – secured | (b) | 396,118 | 360,000 |
| Insurance funding | | 22,319 | - |
| Finance lease | | 30,518 | - |
| | | 1,251,183 | 1,761,643 |
| **Non-current** | | | |
| Commercial bills – secured | (b) | 6,509,000 | 2,949,000 |
| Convertible notes | (a) | 650,000 | - |
| | | 7,159,000 | 2,949,000 |

**(a) Convertible notes**

The Group had 650,000 secured notes and 225,000 unsecured notes and accrued interest of $23,217 outstanding as at 30 June 2014

During the year, 650,000 secured convertible notes were issued with a face value of $1.00 and mature on 31 January 2016. The Notes are convertible into shares at $0.06 and interest is payable at the rate of 10% per annum. As at 30 June 2014 the Group had 650,000 secured notes outstanding. Secured notes are secured over the units held by the Group in the Easy Living Unit Trust and the Easy Living (Bundaberg) Trust.

On 1 August 2012 EGH issued 225,000 unsecured convertible notes of $1.00 each. The Notes are convertible into shares at $0.10 and interest is payable at the rate of 12.50% per annum. As at 30 June 2014 the Group had 225,000 unsecured notes outstanding.

During the year, 20,000 secured convertible notes and 120,000 unsecured convertible notes were converted to shares at $0.0278 per share.

# Notes to the Financial Statements



**(b) NAB Facility – Commercial bills and advances**

***Terms and conditions – 30 June 2014***

As at 30 June 2014, the Group has access to a facility with the National Australia Bank ("NAB"), with a fully drawn limit of $6,869,000 (2013: $3,309,000). The facility expires on 31 January 2017 and is secured by:

- Registered mortgages over Cascade Gardens Mackay, managers' units and other real estate at its Communities (carrying amount of $7,428,350);
- Guarantee and indemnity given by EGH and its controlled entities ($7,807,000); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $15,705,561).

Principal repayment terms: $30,000 per month.

As at 30 June 2014, the Group had the following banking covenants:

- Interest Coverage Ratio of 4.0 times to be maintained at all times and measured on a 12 month rolling basis. Until Cascade Gardens Mackay has 12 months trading, rental income from that property can be annualised.
- Maximum Operating Leverage Ratio of 2.75 times to be maintained at all times and measured quarterly on a 12 month rolling basis. Until Cascade Gardens Mackay has 12 months trading, rental income from that property can be annualised. From 30 June 2015 a maximum Operating Leverage Ratio of 2.50 times is to be maintained at all times and measured quarterly on a 12 month rolling basis.

The Group complied with its covenants through 30 June 2014.

***Terms and conditions – 30 June 2013***

As at 30 June 2013, the Group had access to a facility with the National Australia Bank ("NAB"), with a fully drawn limit of $3,309,000. The facility expires on 31 July 2014 and is secured by:

- Registered mortgages over managers' units and other real estate at its Communities (carrying amount of $1,290,686).
- Deed of charge over the related management rights (carrying amount of $3,943,733)
- Guarantee and indemnity given by EGH and its controlled entities.
- Fixed and floating charges over the assets of EGH and its controlled entities ($9,381,024).

National Australia Bank Ltd hold registered first mortgages over all real estate assets of the Group. It also holds a registered mortgage debenture over all assets and undertakings of all Group assets with the exception of management rights owned by Eureka Care Communities Pty Ltd. The Eureka Care Communities Pty Ltd management rights make up an immaterial portion of the Group's assets.

Repayment terms: $30,000 per month.

During the year and as at 30 June 2013, the Group had the following banking covenants:

- Interest Coverage Ratio of 2.0 times to be maintained at all times.
- Maximum Operating Leverage Ratio of 2.5 times to be maintained at all times.

The Group complied with its covenants through 30 June 2013.

**(c) Shareholder loans**

Shareholder loans are outstanding to Co-Investor Capital Partners Pty Ltd and Kathlac Pty Ltd (an entity associated with Lachlan McIntosh, Director of EGH - refer to note 24 for details). These loans are at call, unsecured and interest is payable at the rate of 12% (2013: 12%) per annum. Each of the shareholders has confirmed in writing their support to the Group.

# Notes to the Financial Statements



## 19. SHARE CAPITAL

### 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 2014 Number | 30 June 2014 $ | 30 June 2013 Number | 30 June 2013 $ |
| Balance at start of year | 75,632,932 | 44,176,337 | 73,092,932 | 43,930,780 |
| Shares issued at $0.10 from conversion of debt | 2,500,000 | 250,000 | 646,050 | 64,605 |
| Shares issued at $0.115 from conversion of debt | 641,028 | 73,718 | - | - |
| Shares issued at $0.10 for cash | 14,540,000 | 1,454,000 | 1,893,950 | 189,395 |
| Shares issued from conversion of convertible notes at $0.0278 | 5,035,970 | 140,000 | - | - |
| Capital raising costs | - | (58,700) | - | (8,443) |
| On issue at end of the year | 98,349,930 | 46,035,355 | 75,632,932 | 44,176,337 |

### Options

Options to subscribe for ordinary shares in the Group have been granted as follows:

| Exercise period | Note | Exercise price | Balance at 1 July 2013 | Options issued | Options expired | Balance at 30 June 2014 |
|---|---|---|---|---|---|---|
| On or before 6 December 2013 | | $0.15 | 8,691,010 | - | (8,691,010) | - |
| | | | 8,691,010 | - | (8,691,010) | - |

## 20. CASH FLOW INFORMATION

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| **(a) Reconciliation of cash** | | |
| Cash at bank and on hand | 1,285,115 | 465,676 |

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

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Profit/(loss) for the year | 661,272 | 74,932 |
| Depreciation and amortisation | 281,910 | 299,681 |
| Impairment – management rights | 37,564 | 34,266 |
| Impairment – assets held for sale | - | 37,080 |
| Other | - | (75,503) |
| (Gain)/loss on sale of management rights and managers units | (293,142) | 130,866 |
| Forgiveness of debt | (200,000) | - |
| (Increase)/decrease in: | | |
| - Trade and other receivables | 162,373 | 221,641 |
| - Inventories | 31,543 | 19,555 |
| - Other current assets | (136,413) | 117,353 |
| Increase/(decrease) in: | | |
| - Trade and other payables | 169,233 | (1,276,105) |
| - Provisions | (4,633) | (31,015) |
| Net cash flow from/(used in) operating activities | 709,707 | (447,249) |

**(c) Non cash investing and financing activities**

During the financial year ended 30 June 2014, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The group converted $140,000 of convertible notes to shares;
- The group converted $323,718 of shareholders loans and other debts to shares; and
- A debt reduction of $200,000 in relation to a shareholder loan.

In the prior financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The group converted $64,605 of shareholders loan to shares.

**21. FINANCIAL INSTRUMENTS**

**Overall policy**

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors are responsible for developing and monitoring risk management policy. Risk management policy is to identify and analyse the risks faced by the entity, to set limits and controls, and to monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and 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 senior independent living communities in accordance with management agreements in place.

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

# Notes to the Financial Statements



| | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|
| *Maximum exposure to credit risk* | | |
| Cash and cash equivalents | 1,285,115 | 465,676 |
| Trade and other receivables | 368,215 | 530,587 |
| Other financial assets | 294,570 | - |
| | 1,947,900 | 996,263 |

*Cash and cash equivalents*
Deposits of cash are only held with approved banks and financial institutions. The Group currently 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 Directors have established 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:

| | 30 June 2014 | | 30 June 2013 | |
|---|---|---|---|---|
| | Gross amount receivable $ | Provision for doubtful debts $ | Gross amount receivable $ | Provision for doubtful debts $ |
| Due 0-30 days | 59,514 | - | 88,339 | - |
| Past due 30-60 days | 66,247 | - | 45,070 | - |
| Past due 60-90 days | 270 | - | 10,629 | - |
| Past due 90 + days | 245,933 | (3,749) | 390,298 | (3,749) |
| | 371,964 | (3,749) | 534,336 | (3,749) |

*Financial assets*
Credit risk for loans receivable is concentrated to two unit trusts. The amounts receivable are neither impaired nor past due.

| | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|
| *Movement in provision for doubtful debts* | | |
| Opening balance | 3,749 | 50,000 |
| Bad debts written-off | (997) | (46,251) |
| Increase to doubtful debts provision | 997 | - |
| | 3,749 | 3,749 |

**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 will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities.

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

**30 June 2014**

| | | | Consolidated | | |
|---|---|---|---|---|---|
| | **Contractual cash flows $** | **Less than 6 months $** | **6 - 12 months $** | **1 – 2 years $** | **More than 2 years $** |
| Trade and other payables | 448,761 | 431,920 | 16,841 | - | - |
| Commercial bills | 8,099,052 | 460,702 | 418,104 | 816,768 | 6,403,478 |
| Other financial liabilities | 1,666,035 | 313,906 | 397,827 | 937,506 | 16,796 |
| Total | 10,213,848 | 1,206,528 | 832,772 | 1,754,274 | 6,420,274 |

**30 June 2013**

| | | | Consolidated | | |
|---|---|---|---|---|---|
| | **Contractual cash flows $** | **Less than 6 months $** | **6 - 12 months $** | **1 – 2 years $** | **More than 2 years $** |
| Trade and other payables | 610,420 | 610,420 | - | - | - |
| Commercial bills | 3,309,000 | 180,000 | 180,000 | 2,949,000 | - |
| Other financial liabilities | 1,401,643 | 1,401,643 | - | - | - |
| Total | 5,321,063 | 2,192,063 | 180,000 | 2,949,000 | - |

**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 relates primarily to the Group's current debt obligations and cash at bank. No interest rate swaps had been entered into during the term of the facility.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternate hedging positions and the mix of fixed and variable interest rates.

Sensitivity analysis for movement in interest rates:

| | Consolidated | |
|---|---|---|
| | **30 June 2014 $** | **30 June 2013 $** |
| 1% increase in interest rates – effect on profit after tax & equity | (84,102) | (28,433) |
| 1% decrease in interest rates – effect on profit after tax & equity | 84,102 | 28,433 |

**e) Fair value measurements**

The aggregate fair values of all financial assets approximate their carrying values at the balance date, other than the available for sale financial assets, which consist of units invested in the Easy Living Unit Trust and in the Easy Living (Bundaberg) Trust (equity instruments). The fair values of the available for sale financial assets are not disclosed as it cannot be determined reliably as there is no active market and the probabilities of the estimates cannot be reasonably assessed. The carrying amount of the units is carried at cost ($235,124) at 30 June 2014.

*Fair value hierarchy*
The Group's assets and liabilities are measured or disclosed 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 (Loan receivable – unit trust, convertible notes, loans from key management personnel and shareholder loans) 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.

**22. 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.

| | Consolidated | |
|---|---|---|
| | **30 June 2014** | **30 June 2013** |
| | **$** | **$** |
| Within 1 year | 335,454 | 487,136 |
| Greater than 1 year but not longer than 5 years | 905,054 | 1,145,667 |
| Greater than 5 years | 1,985,547 | 2,465,074 |
| | 3,226,055 | 4,097,877 |

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

**b) Capital expenditure**

As at 30 June 2014, the Group has a contractual capital commitment for the acquisition of property, plant and equipment totalling $3,137,500 less the deposit paid of $125,000 (30 June 2013: nil). This commitment is not recognised as liabilities as the relevant assets have not yet been received.

**23. EARNINGS PER SHARE**

| | | |
|---|---|---|
| Net profit/(loss) used in calculating basic and diluted earnings per share | 661,272 | 74,932 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 82,624,948 | 75,521,590 |
| Adjustments made to ordinary shares & potential ordinary shares as a result of convertible notes | 7,690,639 | 4,827,586 |
| Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share | 90,315,588 | 80,349,176 |
| Basic earnings per share | 0.80 cents | 0.10 cents |
| Diluted earnings per share | 0.80 cents | 0.09 cents |

For the year ended 30 June 2014, there were no dilutive transactions to be included in the diluted earnings per share calculation. 1,250,000 ordinary shares were issued following the conversion of a convertible note between the reporting date and the date of this report and are not dilutive.

## 24. RELATED PARTY TRANSACTIONS

### (a) Key management personnel compensation

| | Consolidated | |
|---|---|---|
| | 30 June 2014 $ | 30 June 2013 $ |
| Short term employee benefits | 862,730 | 935,490 |
| Post-employment benefits | 26,326 | 23,123 |
| Share-based payments | - | - |
| Other long term benefits | 5,419 | - |
| Termination benefits | - | - |
| Total | 894,475 | 958,613 |

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

### (b) Other transactions with key management personnel

***(i) Loans from key management personnel***

| | | |
|---|---|---|
| ***Shareholder loan: Kathlac Pty Ltd*** | | |
| Balance at beginning of the year | 18,616 | 79,300 |
| Increase in loan amount | 100,000 | - |
| Loan repayments made | (18,616) | (48,077) |
| Interest charged | 99 | 2,393 |
| Conversion of debt to convertible notes/shares | - | (15,000) |
| Balance at end of the year | 100,099 | 18,616 |
| ***Convertible Note: Kathlac Pty Ltd*** | | |
| Balance at beginning of the year | - | - |
| Proceeds received on issue of convertible notes | 50,000 | - |
| Interest charged | 1,863 | - |
| Interest paid | (616) | - |
| Balance at end of the year | 51,247 | |
| ***Convertible Note: Ignition Capital and Ignition Capital 2 Pty Ltd*** | | |
| Balance at beginning of the year | - | - |
| Proceeds received on issue of convertible notes | 400,000 | - |
| Interest charged | 21,589 | - |
| Interest paid | (11,616) | - |
| Balance at beginning of the year | 409,973 | - |

***(ii) Purchases from entities controlled by key management personnel:***

The Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

| | Consolidated | |
|---|---|---|
| | **30 June 2014** | **30 June 2014** |
| | **$** | **$** |
| Consulting fees | 130,000 | - |
| Rent | 39,600 | 39,600 |
| Tax services | 29,334 | 29,693 |
| Underwriting fees | 29,523 | - |
| Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables) | 130,000 | 28,263 |

***(iii) Fees received from entities controlled by Key Management Personnel:***

The Group received fees for the following services from entities that are controlled by members of the Group's Key Management Personnel:

| | | |
|---|---|---|
| Caretaking and management fees | 95,965 | 114,234 |
| Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables) | - | - |

***(iv) 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. Refer to note 18(c) for terms and conditions relating to the shareholder loan.

**25. ULTIMATE PARENT ENTITY**

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

**26. CONTINGENCIES**

There are no contingent liabilities or contingent assets at 30 June 2014 that require disclosure in the financial report.

**27. OPERATING SEGMENTS**

*Identification of reportable operating segments*
The company operates in one segment, being the management of senior independent living communities. All of the Company's areas of operations are currently located within Australia.

Operating segments have been determined on the basis of reports reviewed by the Board of Directors (who are identified as the chief operating decision makers). The financial results from this reportable segment are equivalent to the financial statements of the Group as a whole. The chief operating decision makers review the results of the Group on the above basis.

## 28. REMUNERATION OF AUDITORS

| | | Consolidated | |
|---|---|---|---|
| | | 30 June 2014 $ | 30 June 2013 $ |
| 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)* | *Audit and other assurance services – BDO Audit Pty Ltd* Audit and review of financial statements | 102,057 | 81,000 |
| *(ii)* | *Other Services – BDO (QLD) Pty Ltd* Aged Care Approvals Round (ACAR) application | - | 7,500 |
| | | 102,057 | 88,500 |

## 29. PARENT ENTITY DISCLOSURES

Information relating to Eureka Group Holdings Limited (parent entity):

| | 30 June 2014 $ | 30 June 2013 $ |
|---|---|---|
| **Results of the parent entity** | | |
| Profit/(loss) for the period | (692,488) | (720,215) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | (692,488) | (720,215) |
| | | |
| **Financial position of parent entity at year-end** | | |
| Current assets | 6,548,608 | 678,535 |
| Non-current assets | 5,409,080 | 6,490,183 |
| Total assets | 11,957,688 | 7,168,718 |
| | | |
| Current liabilities | 1,066,525 | 1,978,864 |
| Non-current liabilities | 7,384,000 | 2,949,000 |
| Total liabilities | 8,450,525 | 4,927,864 |
| | | |
| Share capital | 46,035,355 | 44,176,337 |
| Accumulated losses | (42,528,192) | (41,935,483) |
| Total equity | 3,507,163 | 2,240,854 |

***Guarantees entered into by the parent entity***

The parent entity has provided financial guarantees in respect of the commercial bills amounting to $6,869,000 and is secured by:

- Registered mortgages over Cascade Gardens Mackay, managers' units and other real estate at its Communities;
- Guarantee and indemnity given by EGH and its controlled entities; and
- Fixed and floating charges over the assets of EGH and its controlled entities.

***Contingent liabilities of the parent entity***

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013. For information about guarantees given by the parent entity, please see above.

***Contractual commitments for capital items***

As at 30 June 2014, the parent entity had a contractual commitment for the acquisition of property, plant and equipment totalling $3,137,500 less the deposit paid of $125,000 (30 June 2013: nil). This commitment is not recognised as liabilities as the relevant assets have not yet been received.

# Notes to the Financial Statements



**30. SUBSEQUENT EVENTS**

The Group settled the acquisition of the freehold land and buildings of Cascade Gardens Cairns, a 53-unit Seniors Rental Village for $3,137,500. The acquisition was partly funded through a $2,000,000 extension to the existing loan facility. As the Group already manages this village, the purchase fits within Eureka's growth strategy to acquire high performing physical villages and associated management rights. The purchase was completed on 3 July 2014.

The Group has extended its management rights agreements at the following villages subsequent to year-end as follows:

- Village Life Capalaba – 10 years
- Eureka Care Communities Condon – 10 years
- Eureka Care Communities Wulguru – 10 years
- Village Life Caboolture – 5 years

These extensions are part of an underlying review Eureka is undertaking across its entire portfolio of villages to ensure adequate returns on each asset are being achieved for shareholders. Each of these renewals are on terms superior to those in place in prior periods.

The Group has executed contracts subsequent to year-end to sell the management rights for SunnyCove Maroochydore with a carrying amount of $nil and Village Life Toowoomba with a carrying amount of $nil, for $840,000 and $60,000 respectively. The contracts are expected to settle by November 2014.

The Group has issued 1,250,000 shares at $0.10 per share subsequent to year-end following the conversion of a convertible note.

A contract has been fully executed during the year for the sale of one managers unit and the management rights at Slacks Creek for $910,000 ($271,000 deposit received during the year). The sale will settle upon completion of relevant building approvals being obtained and settlement is expected before the end of the 2014 calendar year.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2014 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 2014

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 2014 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 2014.

On behalf of the Board

**Robin Levison**
Chairman

Dated in Brisbane this 28th day of August, 2014

# Independent Auditor's Report



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Eureka Group Holdings Limited

## Report on the Financial Report

We have audited the accompanying financial report of Eureka Group Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

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

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

# Independent Auditor's Report



**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eureka Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

(a) the financial report of Eureka Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Opinion**

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

**BDO Audit Pty Ltd**

BDO

K L Colyer

**K L Colyer**

Director

Brisbane, 28 August 2014

# Corporate Directory

**Postal Address**
Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227

**Board of Directors**
Robin Levison (Non - Executive Chairman)
Lachlan McIntosh
Nirmal Hansra
Greg Rekers
Kerry Potter

**Interim Company Secretary**
Oliver Schweizer

**Solicitors**
HWL Ebsworth
Level 2 Brisbane
500 Queen St,
Brisbane Qld 4000
Tel: 07 3002-6790
Fax:1300 368 717

**Auditors**
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane Qld 4000
Tel: 07 3237-5999
Fax: 07 3221-9227

**Share Registry**
Link Market Services – Brisbane
Level 12, 300 Queen Street
Brisbane Qld 4000
Call Centre: 02 8280-7454
Fax: 07 3228-4999

**Listing Details**
ASX Limited Brisbane
Code: Shares – EGH

**Australian Business Number**
15 097 241 159

# Security Holder Information

**Distribution of Securities as at 27 August 2014**

| Number of Securities | No of Shareholders |
|---|---|
| 1 – 1,000 | 216 |
| 1,001 – 5,000 | 83 |
| 5,001 – 10,000 | 24 |
| 10,001 – 100,000 | 79 |
| 100,001 and over | 103 |
| **Total Security Holders** | **505** |

**Marketable Shares**

There were 291 holders of less than a marketable parcel of 4,167 shares holding a total of 248,949 shares.

**Voting Rights**

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

| Twenty Largest Ordinary Shareholders as at 27 August 2014 | No of Ordinary Shares Held | % of Issued Share Capital |
|---|---|---|
| CUSTODIAN NOMINEE COMPANY LIMITED | 8,300,000 | 8.25% |
| WAVET FUND NO 2 PTY LTD | 6,263,567 | 6.23% |
| KATHLAC PTY LIMITED | 5,724,169 | 5.69% |
| 22 CAPITAL PTY LTD | 5,216,028 | 5.18% |
| CO-INVESTOR CAPITAL PARTNERS PTY LTD | 5,013,621 | 4.98% |
| NORFOLK ENCHANTS PTY LTD | 5,000,000 | 4.97% |
| IGNITION CAPITAL PTY LTD | 4,715,029 | 4.69% |
| NAVIGATOR PROPERTY GROUP P/L | 4,635,428 | 4.61% |
| QFM NOMINEES PTY LTD | 2,632,174 | 2.62% |
| JELLYFISH GLOBAL INVESTMENTS PTY LTD | 2,500,000 | 2.49% |
| DEALCITY PTY LIMITED | 2,400,995 | 2.39% |
| ALISTER WRIGHT | 2,134,309 | 2.12% |
| CO-INVESTOR CAPITAL PARTNERS PTY LIMITED | 1,972,850 | 1.96% |
| MR STEPHEN WALKER & MRS SUSAN SARAH WALKER | 1,376,000 | 1.37% |
| WULGURU TOWNSVILLE PTY LTD | 1,250,000 | 1.24% |
| CONDON PTY LTD | 1,250,000 | 1.24% |
| PACIFIC DEVELOPMENT CORPORATION PTY LTD | 1,250,000 | 1.24% |
| DSCC HOLDINGS PTY LTD | 1,243,442 | 1.24% |
| MARBLE TOWERS PTY LTD | 1,190,584 | 1.18% |
| MR STEPHEN MARK GOSLING & MRS JODY ANNE GOSLING | 1,122,837 | 1.12% |
| Total | 65,191,033 | 64.81% |

| Securities in which Directors have a Relevant Interest at 27 August 2014 | Ordinary Shares | Options |
|---|---|---|
| Robin Levison | 5,637,942 | - |
| Lachlan McIntosh | 11,249,364 | - |
| Nirmal Hansra | 550,000 | - |
| Greg Rekers | 2,803,940 | - |
| Kerry Potter | 2,799,774 | - |
| Total | 23,041,020 | - |