eureka
GROUP HOLDINGS

Delivering affordable, caring and inclusive communities

EUREKA GROUP HOLDINGS

ABN 15 097 241 159

2016-2017 ANNUAL REPORT

2016-2017 HIGHLIGHTS

Strong profitability with

EBITDA of $9.4m

and Statutory Profit after tax of

$6.5m.

Marked improvement of occupancy levels at EGH-owned villages following a company-wide strategy, implemented in February 2017 that led to occupancies lifting to **89.6%** ↑

from a base of 83-84% in first half of FY16-17.

Significant progress in determining pathway to realise value over the next 1 to 2 years through complementary value creation opportunities at Couran Cove and Terranora.

Continued growth of portfolios:

acquired **4** additional villages ↑

growing to **27** EGH-owned villages ↑

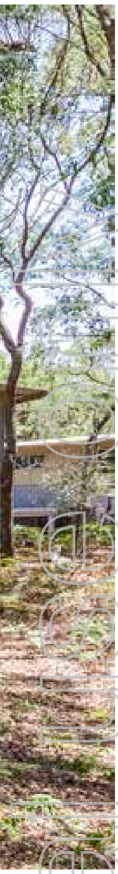
and **9** managed villages

- **Significant structural changes**
  Recruitment of additional senior executives and the separation of board and executive functions, to allow each to fulfill its responsibilities.

- **Blue Care Alliance**
  Strengthening the alliance between Eureka Group Holdings and Blue Care to improve the quality of services to Eureka residents, increased occupancies through extended resident stays and Blue Care referrals, while capitalising on a pipeline of potential future village acquisitions.

- The fundamentals for the sector in which Eureka operates remain very strong and continue to improve. There remains opportunity for the ongoing growth and expansion of the company's portfolio.

Above left: Couran Cove Eco Village
Above right: Terranora interior
Bottom left: Couran Cove Eco Village interior
Bottom right: Terranora exterior



Industry Award

In September 2016, Rockhampton Village managers, Kevin and Mika Humphreys were awarded Queensland Manager of the Year by the Property Council of Queensland.

Kevin and Mika have built strong relationships with a range of community care providers and work with them to help any residents who need additional support. Living on site, Kevin and Mika play an active role in engaging all residents in activities and social interactions, including sourcing entertainers, hosting craft classes, organising religious congregations and trips to the local zoo.

Kevin and Mika have continually showed an unsurpassed enthusiasm for our residents' care, complemented by an incredible drive to make their village stand out and Eureka is proud to have such an energetic and caring team at the helm of Eureka Care village Rockhampton.

Pictured L to R: Mika Humphreys (QLD Winner), Kevin Humphreys (QLD Winner) and Andrew Heyer (Eureka)

Contents

All images within this Annual Report show residents at Eureka villages.

Chairman's Report

I am pleased to report to shareholders a year of continued expansion with four new property acquisitions, together with a significant structural change to Eureka Group Holdings Ltd (EGH) corporate organisational environment.

Given the rapid growth of Eureka over recent years, your Board decided it was essential to create a platform that would underpin its future growth by streamlining EGHs corporate structure, while also strengthening and improving resources and internal systems.

It was decided to fully separate the Board from the Executive to allow each to fulfill its responsibilities. To that end, Executive Directors, Mr Greg Rekers and Mr Kerry Potter retired from Eureka Group in early February 2017 after many years of outstanding input during a strong growth phase of the business. I would like to formally record the Board's appreciation for Mr Rekers and Mr Potter's long-term service and commitment.

As part of this structural change, the Board conducted an open and competitive recruitment process to identify a new Chief Executive Officer to steer the business into the future. After evaluating approximately 120 candidates, Eureka appointed Jeff Weigh CEO, who commenced in early February 2017.

The Board is confident that Mr Weigh has the specific skills, vision and enthusiasm to lead Eureka Group's next phase of growth. Specifically, Mr Weigh brings over 15 years of experience in heading regionally-based property operations and has a strong track record of building and growing profitable enterprises. For four years he was CEO of South Bank Corporation (Brisbane based corporation owning and managing over $700 million of assets adjacent to the Brisbane CBD) where he more than doubled profit to $26 million per annum. He also reduced the Corporation's debt from $35 million to zero during his four-year tenure. Prior to that, Mr Weigh also spent 10 years as Managing Director of Fortland Hotels, a 3.5 star hotel management company, which he built over that time before selling the portfolio to Accor Asia Pacific. Jeff also sits on the Board of Directors at Port of Brisbane Pty Ltd, a position he has held for the past two-and-a-half years.

The priorities set for Mr Weigh from the outset were:

a) Reshaping the corporate structure to separate the Board and Executive duties;

b) Focusing the responsibility of the day-to-day management of all aspects of the business over to the CEO and senior management;

c) Improving the operating systems of the business;

d) Lifting the depth and experience of the Executive Team; and

e) Building a solid platform of systems, people and resources to prepare for robust growth into the future.

The transition to the new structure at EGH has been achieved seamlessly with the implementation of this new structure and systems now working very effectively.

Bookending FY 2017 was the appointment in June of Mr Paul Cochrane as Chief Financial Officer, who brings to the company significant expertise as a senior commercial executive with extensive public company, retirement living and property experience. The Board is extremely pleased with the strengthening of the executive team, which is progressing very well.

BLUE CARE ALLIANCE

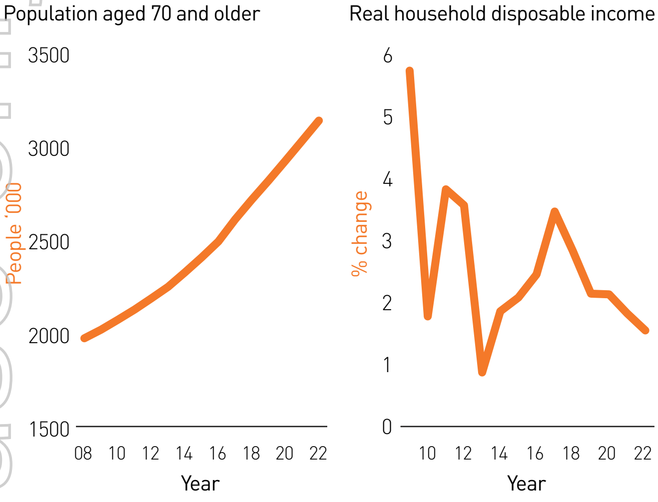
I am delighted to report that the relationship with Uniting Church Blue Care has flourished during the year. Strong and functional working relationships have been developed between both organisations and the partnership is now delivering results for both organisations. The relationship between EGH and Blue Care is an important and valued alliance that is set for continued and sustained growth well into the future as Blue Care continues to roll out its in home care services to Eureka's Queensland Villages adding a material improvement to our residents' quality of life.

INDUSTRY OUTLOOK

Australia's ageing population continues unabated and provides a strong platform for continued growth and commercial opportunity. Recent national research into Australia's retirement village sector and demographic profiles that are underpinning the sector, was undertaken by Ibisworld in August 2016. This industry-wide research confirms the confidence we share in the future of the Eureka business and our business model of providing quality and affordable rental accommodation for seniors and disability pensioners in safe, caring and well managed environments.

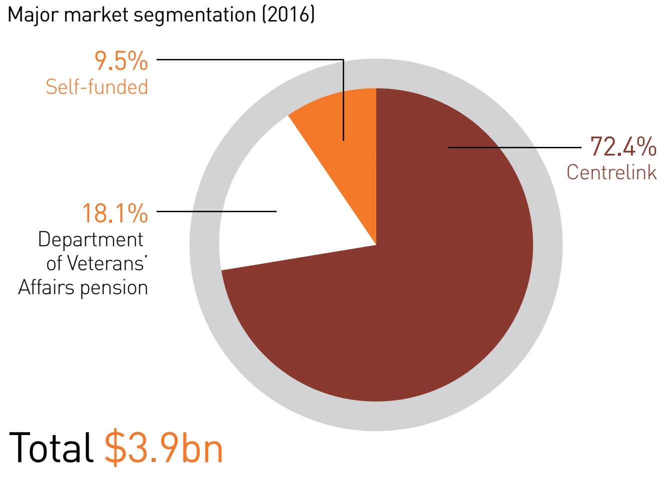
The Ibisiworld report states: "Industry revenue is forecast to grow at a compound annual rate of 10.1% over the five years through 2021-22, to reach $6.3 billion. Australia's ageing population is projected to underpin this growth, as more and more retirees will require accommodation."

Chart 1



Source:www.ibisworld.com.au

Chart 2



Source:www.ibisworld.com.au

In addition, as retirees' life expectancies continue to increase and medical developments seek to reduce the burden on Australia's healthcare system, residents are expected to live in the industry's independent and low-level care retirement villages for longer, before transitioning into higher care nursing homes if required. This trend will greatly benefit industry operators as they will be able to maintain occupancy rates for longer periods of time and potentially reduce the costs associated with resident turnover. Greater occupancy rates and cost reductions would subsequently contribute to growth in the industry's profit margins. Source: Ibisworld (August 2016)

As illustrated in Chart 2 above, there is a significant majority of retirement village customers who fund their accommodation through Centrelink (72%) and Department of Veterans Affairs (18%).

These two market segments continue to account for some 90% of the burgeoning retirement village market. These customers most often pay through the Centrepay system and are very satisfied with the quality and affordability of the Eureka product. The strength of this sector in such a growing market segment bodes well for the future growth of Eureka.

The continued strong growth in the number of Australians reaching retirement with few or no assets, together with the baby boomer segment moving into retirement in significant numbers augers very well for the EGH business model. According to Steven Wood of UBS: ***"this is actually a space that cannot be outsourced, and cannot be disrupted."*** *Source : Steven Wood, UBS, 2017.*

Driving commercial performance and growth within our affordable rental portfolio and continuing to expand through acquisitions and infill developments, remain the core of the Eureka strategy and we are well positioned to take advantage of the opportunities in this ever-increasing market.

I would like to thank my fellow directors and Board for their ongoing commitment, hard work and governance of Eureka. The management team, village managers and staff have all worked very hard and professionally to deliver outstanding results in a year of considerable change.

I also sincerely thank our loyal shareholders for their enduring confidence in Eureka. The achievements of this financial year provide a solid platform as we head into the future and strive to deliver long-term value accretion to our shareholders.

Robin Levison
Chairman

CEO's Report

The 2017 year has been one of fundamental change in the structure, operations and governance of the company. The Eureka Board decided to move to a more conventional corporate structure with full separation between the Board and the Executive. The Executive Chairman moved to non-executive Chairman upon the appointment of a CEO in February 2017.

The immediate focus of the CEO was to implement a range of commercial initiatives:

a) Lifting village occupancy across EGH-owned villages from 83% to 89% by the end of June;

b) Improving the financial performance of three properties in South Australia;

c) Building the acquisition pipeline to sustain the growth path of the business;

d) Introducing a range of cost saving initiatives across the business: by reducing two regional management positions and achieving better economies of scale through procurement savings in utilities, waste services, pest control, fire maintenance and communications;

e) Defining a role for Eureka in the Couran Cove (Gold Coast) project;

f) Gaining more traction with the Blue Care Alliance; and

g) Bringing together the operations, finance and property management teams into one cohesive support office in Southport and introducing defined channels of communication and reporting between operating teams.

CHIEF FINANCIAL OFFICER APPOINTMENT

In June 2017, Eureka appointed Mr Paul Cochrane as Chief Financial Officer following the resignation of Mr Ryan Maddock. Mr Cochrane is a highly experienced financial and commercial executive with demonstrated experience in the aged care sector, ASX-listed companies (including Company secretarial) and property development and management. The appointment of Mr Cochrane was a key opportunity to add value to and complement the skills and capabilities of the Executive.

VILLAGE ACQUISITIONS

During FY2017, Eureka Group acquired 4 additional villages to a value of $11.3 million.

ACQUISITIONS FY2017

September 2016	Orange	55 units	$5.115m
December 2016	Broken Hill	42 units	$1.05m
March 2017	Mackay	38 units	$1.16m
June 2017*	Gympie	42 units	$4.0m
TOTAL	4 Villages	177 units	$11.325m

* settled July 2017

While this is a lower rate of acquisition than the previous financial year, it reflected a number of potential villages that failed to meet Eureka's selection criteria – other than the financial return – and under the new corporate structure that is focusing on robust and long-term growth by securing assets that bolster the EGH business model and deliver financial returns to our shareholders.

BLUE CARE ALLIANCE GAINING MOMENTUM

The alliance between Eureka and Blue Care has completed its first year of operation. The alliance ensures that Eureka residents enjoy a range of in home services, offering professional and tailored programs for each individual, that are enabled through government funding available to residents.

The program instils confidence among Eureka residents through the provision of improved health and home services outcomes. Eureka residents also have peace of mind in knowing they can live independently for extended periods while enjoying a healthier and more active retirement. The Blue Care alliance is fully consistent with Eureka's philosophy of delivering quality, independent living communities within safe, caring and well-managed environments.

Four trial sites were established to test how the program would be delivered. Each of the trial sites at Ipswich, Cairns, Wynnum (Brisbane) and Rockhampton were successful and allowed the service delivery and interaction between Eureka and Blue Care to be honed and streamlined.

By way of example, Blue Care Chaplains provide counselling to help minimise the trauma around stressful events such as the passing of a resident, which leads to improved resident sentiment towards village life and Eureka in general.

As well as the improved level of care provided by Blue Care, the program will be positive in reducing resident turnover and ultimately, will lead to improved occupancy rates across the Eureka portfolio over the medium term.

The integrated delivery of in home care also has positive reputational benefits to Eureka. Blue Care Liaison Officers are guiding residents or their family members, through the 'My Aged Care' portal to confirm their eligibility for services and to help take the stress and anxiety out of the process. Blue Care services are highly complementary to Eureka's "independent living" ethos, which in turn, is driving, increased enquiries from new clients and their families.

Since trialling the Blue Care Alliance at the four locations listed earlier, the Alliance has now been rolled out to all Eureka villages in Queensland and the benefits are beginning to flow to both partners (EGH and Blue Care).

There are now jointly branded marketing collateral materials available to existing and prospective residents at all Eureka villages in Queensland. Furthermore, regional Blue Care Managers and Liaison Officers have all received inductions into Eureka's Queensland villages.

What is also pleasing since the initial trial and subsequent roll out of the Alliance to all EGH villages is Queensland is that take-up of Blue Care services has been relatively strong and referrals to Eureka villages from Blue Care regional and central staff are steadily increasing. The Blue Care and Eureka Alliance is an important platform for both organisations going forward.

SUPPORTED RESIDENTIAL FACILITIES

Over the past two years, Eureka acquired three Supported Residential Facilities (SRFs) in South Australia. There are two in Adelaide and one in Mount Gambier. At the time of acquisition, these properties were showing strong EBITDA performance. However, their subsequent performance was below budget due to shortfalls in revenue and materially higher operating costs. A targeted improvement plan was put in place in March 2017 that lifted their collective performance.

Consequently, EGH is undertaking a detailed assessment of these businesses to evaluate alternate options for their future operations. This report is expected to be completed in the second quarter of the 2017-18 financial year.

Top left: Albert Street Gardens, Orange
Top right: Residents at Eureka Care Communities, Gladstone
Bottom right: Residents and staff at Eureka Madross Gardens, Albury

TERRANORA VILLAGE, NORTHERN NEW SOUTH WALES

Terranora Village and associated property was acquired in December 2015 for $7 million.

The village had a strong rental income despite not having been renovated for many years and has over 5 hectares of adjoining hilltop land 20 minutes from Gold Coast Airport, with views spanning the Tweed Valley, Gold Coast and Pacific Ocean.

Originally built as the Royal Terranora Resort to service an 18-hole golf course and associated licensed premises, the apartments were generally larger than typical Eureka units, being up to 100 square metres internally.

With the larger apartments, excess land and strength in the Gold Coast property market, it was determined to strata title the existing apartments and sell them on a retail basis.

Town planners were engaged and a three-lot subdivision, comprising the existing apartments plus two other development lots were designed and an application was lodged with the Tweed Shire Council.

Top left: Eureka Murray River Gardens Mildura managers, Ian and Collette Hazeldene
Bottom left: Eureka Cascade Gardens Mackay
Top right: Avenell Village on Vasey, Bundaberg
Bottom right: A resident at Eureka Care Communities Gladstone

During the process, council requested various changes to the plan, including readvertising the development.

At all times it has been a positive consultative process with council working towards a long term solution for a property being reclassified from a resort to residential. The process has been meticulous, that needed to take into account future development on the site, which is significant together with upgrading the existing apartments to current council requirements.

All work has been completed in upgrading the existing property to current standards and the future development potential for Stage 1 vacant land is for up to 240 townhouses, or indeed, a higher number of Eureka type product if that path is chosen in the future.

Once this initial stage is complete, Eureka will be in a position to focus on Stage 2 through the completion of a full feasibility assessment of a 125-unit Eureka Village development or sale of the undeveloped land.

While the approval process has taken longer than originally expected, we anticipate receipt of the approval in the near future. Terranora is a very exciting and productive asset for Eureka.

COURAN COVE, GOLD COAST

Eureka assets at Couran Cove include:

- 29 eco cabins — four of which are currently being refurbished or upgraded with the balance (25) rented.
- Option over 60 development sites with power, water and sewer services connected to the boundary. These sites are suitable to be developed into an independent low cost rental village for 120 duplex accommodation units. Eureka is currently evaluating the strategic fit of these assets within the portfolio.

Meanwhile, the owner of Couran Cove's central visitor, hospitality and marine facilities has completed extensive refurbishment works to refresh and upgrade the entire Couran Cove experience, which also creates an enhanced environment and backdrop for the Eureka assets.

Terranora

PORTFOLIO OCCUPANCY

The occupancy performance of our owned village portfolio was averaging around 83%-84% for the first half of this financial year. A company-wide strategy was introduced to improve occupancy in the period from February 2017 onwards, resulting in a lift to 89.6% by the end of June 17. This strategic initiative has laid a solid base and set the benchmark for improved performance in the new financial year.

STRUCTURAL CHANGE

As outlined earlier, this financial year has been one of significant change in the structure, operations and governance of the company. The Eureka Board elected to move to a more conventional corporate structure with full separation between the Board and the Executive and the Executive Chairman moved to non-executive Chairman following the appointment of a CEO in February 2017.

IMPLEMENTING CULTURAL CHANGE — FY2017 HIGHLIGHTS:

» Merging the Robina and Southport offices into one new office at Southport;

» Rebranding the Southport office to "Support Office" rather than Head Office in recognition that our villages are the central core of the Eureka business;

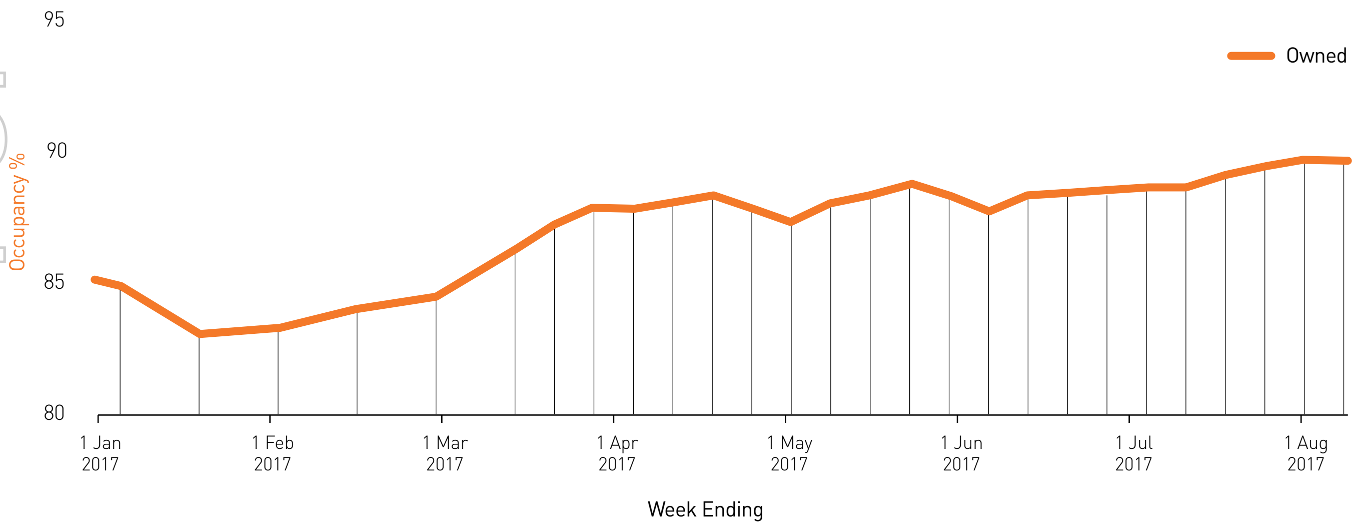
» Carrying out an extensive team building campaign across all business units within the company to focus on village occupancy; and

» Streamlining the company structure and removing some middle management roles.

I would like to thank the entire Eureka team for a stellar performance and dedication throughout the year and for embracing the transition to the new structure. I must also sincerely thank the Board for their unwavering support and commitment to the future success of Eureka Group Holdings.

Jeff Weigh
Chief Executive Officer

Owned Villages Occupancy Trend



Terranora poolside

FY2017 Acquisitions

Eureka Group aims to provide the highest level of low cost rental accommodation and associated care to independent retirees who are either completely or primarily reliant on the Australian Government pension and rent assistance. In Australia, 77 percent of people over the age of 65 rely on pensions as their primary source of income.

During FY2017, Eureka Group acquired 4 additional villages to a value of $11.3 million. While this is a lower rate of acquisition than the previous financial year, it reflected a number of potential villages that failed to meet Eureka's selection criteria – other than the financial return. Under the new corporate structure, Eureka is focusing on robust and long-term growth by securing assets that bolster the EGH business model and deliver financial returns to our shareholders.

FRESHWATER VILLAS

GYMPIE, QLD

The 42-unit Freshwater Villas retirement village in Gympie is located close to the hospital, medical facilities and broad mix of retail shops. The property has undeveloped land sufficient for an additional 8 units to be added as required. Freshwater already trades at high occupancy levels and is expected to be a positive addition to Eureka on the $4 million purchase price with room for occupancy improvements.

UNITS: 42	Purchase price: $4 million

EUREKA MACKAY VILLAGE

MACKAY, QLD

Eureka Group purchased the 38-unit village in Mackay in March 2017 for $1.16 million, which includes a dining and communal area and large commercial kitchen. This is the second property for EGH in Mackay and complements the company's other villages throughout North Queensland including facilities located at Condon, Smithfield, Wulguru, Townville and Bowen.

UNITS: 38	Purchase price: $1.16 million

SHORTY O'NEIL VILLAGE

BROKEN HILL, NSW

Eureka acquired the 42-unit Shorty O'Neil Village for $1.05 million in December 2016. The village includes a community centre, a separate office building and large commercial kitchen facilities. Purchased as 'Vacant Possession' the village is now trading at 100 percent occupancy with a waiting list of potential residents following a highly successful marketing campaign.

UNITS: 42	Purchase price: $1.05 million

ALBERT STREET GARDENS

ORANGE, NSW

This 55-unit retirement village in western New South Wales was purchased in September 2016 for $5.115 million. Known as Albert Street Gardens, the village has a long-term historic occupancy rate of 92% that is underpinned by the demographic profile of Orange, which has a population of around 40,000 with 20 percent of people aged 65 years and over.

UNITS: 55	Purchase price: $5.115 million

Financials

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 2017.

PRINCIPAL ACTIVITIES

The principal activities of EGH include:

- Providing specialist property asset management through property ownership and caretaking and infrastructure management;
- Providing accommodation and tailored services to a broad market of aged residents with discretionary and non-discretionary spend characteristics; and
- Project management.

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 2017 $'000	**30 June 2016 $'000**
Net profit		6,538	10,467
Add back:	Interest expense	2,606	1,733
	Tax	-	-
	Depreciation	129	113
	Amortisation	142	155
Earnings before interest, tax, depreciation and amortisation (EBITDA)		9,415	12,468

EBITDA is a non-IFRS measure, however the directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

The decrease in EBITDA to $9.4 million was largely reflective of lower net fair value gain of $1.1 million compared to $4.0 million in the previous year and additional payments to two directors of $0.5 million.

Financing costs increased during the 30 June 2017 year as a result of increased borrowings to fund the village acquisitions.

Financial Position	**Consolidated**	
	30 June 2017 $'000	**30 June 2016 $'000**
Total Assets	128,534	111,323
Net assets	74,867	64,934
Working capital (current assets less current liabilities)	11,872	8,505

The Group continues to strengthen its financial position. During the year, the Group acquired investment properties for total consideration including transactions costs of $13.1 million. These acquisitions were partly funded through bank debt, which resulted in bank debt increasing from $42.7 million to $50.5 million.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 30 June 2017 financial year the Group acquired 3 seniors' rental villages and a number of units within other senior rental villages where Eureka is the manager. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights. The villages acquired include:

- Albert Street Gardens Village Orange for $5.11 million in September 2016
- Shorty O'Neil Village Broken Hill for $1.05 million in December 2016
- Eureka Mackay Village for $0.55 million in March 2017

The purchase prices above are exclusive of applicable acquisition costs. During the period the Group also spent $4.29 million on enhancing properties held through capital additions.

During the 30 June 2017 financial year, the Group divested its manager's unit at Slacks Creek for $0.17 million.

Directors' Report

DIVIDENDS

No dividends have been paid during the year (2016: $nil). No dividends are recommended for the financial year ended 2017.

SHARE CAPITAL AND SHARE OPTIONS

The number of ordinary shares on issue at 30 June 2017 was 229,671,923 (2016: 225,784,473).

On 8 July 2016, the Company's Share Purchase Plan ('SPP') was finalised. 5,263,400 shares at $0.75 were allotted on 14 July 2016.

1,375,950 ordinary shares were cancelled from the Share Buy Back during the financial year (2016: Nil).

There were no options issued during the year (2016: Nil).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the 2018 Financial Year there will be a continued commitment to Eureka's "Buy and Build" strategy which has seen the company move away from its historical ownership of management rights only, over low cost rental retirement villages to a dominant and holistic bricks and mortar village ownership and management model which has generated far superior returns to shareholders.

Eureka will continue to acquire existing assets which meet its EBITDA return hurdle rate and will continue to improve the performance of recently acquired assets which to date have consistently added to the value of each village.

Each year the company also reviews its management rights portfolio and there may be further divestments from that portfolio should it be seen as opportune.

The transformation of the Terranora property acquired for $7 million in December 2015 is well advanced. Negotiations with the Tweed Shire Council have been conducted professionally and thoroughly. Eureka holds 25 sales subject to a D.A. from the Tweed Shire and issue of individual titles. The marketing for the Terranora excess vacant land not required by Eureka will also start within the next 6-12 months.

Lastly, Eureka will continue to build on the Blue Care partnership announced in June 2016 and expects the Blue Care "in home care" model to be a valuable alliance for both parties. Further information is included in the Chairman's Review.

SUBSEQUENT EVENTS

The Group has completed the acquisition of the 42 unit village in Gympie QLD on 19 July 2017, otherwise known as 'Freshwater Villas' for $3.8 million.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2017 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 of the Company.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year. During the financial year the Group has paid a premium of $74,643 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

ROUNDING OF AMOUNTS

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

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 held and 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	7	7	3*	3*	3*	3*
Lachlan McIntosh	7	7	3	3	3	3
Greg Rekers	2	1	-	-	-	-
Kerry Potter	2	2	-	-	-	-
Nirmal Hansra	7	7	3	3	3	3

*Attended by invitation

INFORMATION ON DIRECTORS

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

Robin Levison – Executive Chairman, CEO 1 July 2016 to 7 February 2017, Non-Executive Chairman 7 Feb 2017 onwards

Robin Levison holds a Masters of Business Administration from the University of Queensland and is a Member of Chartered Accountants Australia and New Zealand. Robin has 15 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 Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, and is a Graduate and Fellow of Australian Institute of Company Directors.

Other listed company directorships in the last 3 years: PPK Group Limited.

Special responsibilities: Chair of the Board.

Lachlan McIntosh – Non-Executive Director

Lachlan McIntosh has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand. 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: New Guinea Gold Corporation (April 2013 to April 2014) and Onterran Limited (from 11 October 2014).

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

Greg Rekers – Executive Director and Head of Real Estate (Resigned on 8 February 2017)

Greg led the Company's real estate activities during his employment. 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 (Resigned on 8 February 2017)

Kerry was the Company's Chief Operating Officer during his employment. 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, Fellow of Chartered Accountants Australia and New Zealand and Fellow of Australian Society of Certified Practicing Accountants.

He has over 35 years of senior executive management experience and 11 years of board 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 Chair of Campbell Page Limited, non-executive director and chair of the finance, audit and risk committee of Kuringai Financial Services Limited, Council of the Ageing (COTA) in New South Wales and Children's Tumour Foundation Limited. He is also a non-executive director of Have A Voice Pty Ltd.

Other listed company directorships in the last 3 years: nil

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

COMPANY SECRETARY

Oliver Schweizer – Company Secretary

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.

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:

Jeff Weigh – Chief Executive Officer (Appointed on 7 February 2017)

Jeff Weigh holds a Master of Economic Studies from the University of Queensland and completed the Executive Hotel Management course from Cornell University, USA. He is a highly experienced executive whose immediate previous role was CEO of South Bank Corporation for 4 years until September 2016. Jeff was Queensland Manager of I-Med, a member company of DCA Group Ltd that became an ASX top 200 public company specialised in medical imaging and aged care. He also co-founded Fortland Hotels & Resorts in 1990 and was Managing Director.

Paul Cochrane – Chief Financial Officer (Appointed on 28 June 2017)

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

Directors' Report

Ryan Maddock – Chief Financial Officer (Ceased role on 30 June 2017)

Ryan Maddock is a Chartered Accountant and has a Bachelor of Business with a Major in Accounting from Griffith University. He has over 12 years of accounting experience working in both Australia and North America and most recently held the role of Senior Financial Accountant at a Perth-based TSX-listed company. Prior to that he held the roles of Audit Manager at KPMG and Accountant at PKF.

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

	Ordinary shares
Directors	
Robin Levison	12,905,000
Lachlan McIntosh	11,916,166
Nirmal Hansra	839,834
Directors Total	25,661,000
Executives	
Jeff Weigh	400,000
Paul Cochrane	-
Executives Total	400,000

OPTIONS

There were no options outstanding during the financial year and up to the date of the Directors' report.

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 2017. 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

(a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel comprise remuneration 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.

Remuneration comprises the following:

- base pay (salaries/fees) and benefits, including superannuation;
- short-term incentives (bonuses); and
- long-term incentives such as options or rights or shares.

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 2017 financial year.

Remuneration details for certain individuals are described at (d). While bonus payments are generally at the discretion of the Board, management is assessed on items including:

- Occupancy targets
- Profitability
- Property capital appreciation
- Operational cost management

Bonus payments can be dependent on key criteria, refer to the table in section (e) Relationship Between Remuneration and Company Performance for further details.

The performance conditions described above were chosen because they were considered appropriate for senior management given the operations. They are measured by comparing what has been achieved vs set budgets/targets.

The Nomination & Remuneration Committee is of the opinion that continued improved results can be achieved in part by the adoption of performance based compensation. Accordingly, the Board intends to institute a Long Term Incentive Plan (LTI) and is satisfied that this scheme will assist in generating increased shareholder returns 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 and during the year, the key management personnel of the Group are:

Name	Role	Period in role
Robin Levison	Non-Executive Director/Chair	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 – Resigned 08/02/2017
Kerry Potter	Executive Director/Chief Operating Officer	24/04/2012 – Resigned 08/02/2017
Jeff Weigh	Chief Executive Officer	07/02/2017 – ongoing
Paul Cochrane	Chief Financial Officer	28/06/2017 – ongoing
Ryan Maddock	Chief Financial Officer	16/06/2014 – Ceased role on 30/06/2017

Directors' Report

Key management personnel remuneration for the year ended 30 June 2017 and 30 June 2016:

	Short term		Post employment					
	Salary/ fees $	Bonus $	Super-annuation $	Share based payments $	Other long term benefits $	Total $	Perform-ance related %	% of bonus that was paid
30 June 2017								
Directors								
Robin Levison	120,000	-	-	-	-	120,000	-	-
Lachlan McIntosh	50,000	-	-	-	-	50,000	-	-
Nirmal Hansra	50,000	-	-	-	-	50,000	-	-
Greg Rekers [1]	159,389	65,000	-	-	-	224,389	29%	100%
Kerry Potter [1]	159,389	65,000	-	-	-	224,389	29%	100%
Directors Total	538,778	130,000	-	-	-	668,778		
Executives								
Jeff Weigh [2]	134,097	-	9,335	-	-	143,432	-	-
Ryan Maddock [3]	193,151	17,908	19,053	-	-	230,112	8%	100%
Paul Cochrane [4]	-	-	-	-	-	-	-	-
Executives Total	327,248	17,908	28,388	-	-	373,544		
Total	866,026	147,908	28,388	-	-	1,042,322		

30 June 2016								
Directors								
Robin Levison	105,000	-	-	-	-	105,000	-	-
Lachlan McIntosh	39,000	-	-	-	-	39,000	-	-
Nirmal Hansra	37,998	-	-	-	-	37,998	-	-
Greg Rekers	229,241	100,000	-	-	-	329,241	30%	100%
Kerry Potter	229,241	100,000	-	-	-	329,241	30%	100%
Directors Total	640,480	200,000	-	-	-	840,480		
Executives								
Ryan Maddock	141,294	40,539	17,697	-	-	199,530	20%	100%
Executives Total	141,294	40,539	17,697	-	-	199,530		
Total	781,774	240,539	17,697	-	-	1,040,010		

[1] Greg Rekers and Kerry Potter ceased as key management personnel on 8 February 2017. Bonus was paid for the July 2016 to December 2016 period. Additional payments were made as disclosed in section (d) of the Remuneration Policy.
[2] Jeff Weigh commenced as key management personnel on 7 February 2017.
[3] Ryan Maddock ceased as key management personnel on 30 June 2017.
[4] Paul Cochrane commenced as key management personnel on 28 June 2017.

(c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 in aggregate plus statutory superannuation. With the growth planned for the Group and the associated need to increase the number of directors on the board, the Board is proposing that at the next shareholders' meeting in November 2017, shareholders approve an increase to the directors' fee pool to $500,000 plus statutory superannuation.

Directors' Report

The following fees have applied during the year:

Base fees	**$**
Robin Levison – Non-Executive Chairman	120,000
Lachlan McIntosh – Non-Executive Director	60,000
Nirmal Hansra – Non-Executive Director	60,000

No superannuation has been paid to non-executive directors. Non-executive directors fees were increased to $60,000 on 1 January 2017.

(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:

Jeff Weigh (Chief Executive Officer)
Agreement Commenced 7 February 2017

Term of the Agreement:
The agreement may be terminated by either the Company or Mr Weigh with 6 months' notice or by the Company in the event of a material breach of misconduct by Mr Weigh.

Details:
Mr Weigh's remuneration comprises a base salary of $350,000 plus 9.5% superannuation and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives equal to 50% of his base salary and a long-term incentive to be approved by the shareholders at the next Annual General Meeting in November 2017. Mr Weigh is responsible for the overall management of the Group and reports to the Chair of the Board.

Greg Rekers *(Executive Director & Head of Real Estate)*
Agreement Commenced 24 April 2012 (Resigned 8 February 2017)

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 30% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. His 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.

Mr Rekers ceased his position on 8 February 2017. In accordance with the terms noted above, a payment of $260,000 was made. These amounts are recorded in Consultancy Expenses.

Kerry Potter (Executive Director & Chief Operations Officer)
Agreement Commenced 24 April 2012 (Resigned on 8 February 2017)

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 30% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. His 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.

Directors' Report

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.

Mr Potter ceased his position on 8 February 2017. In accordance with the terms noted above, a payment of $260,000 was made. These amounts are recorded in Consultancy Expenses.

Ryan Maddock (Chief Financial Officer)
Agreement Commenced 16 June 2014 (Ceased role on 30 June 2017)

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 of a salary of $182,648 plus superannuation. Mr Maddock's remuneration is not linked to the company's performance and he is entitled to a bonus at the Directors' discretion. Mr Maddock was responsible for the finance division and the accounting and finance functions of the Company and its associated companies. The directors believe that the remuneration is appropriate for the duties allocated to Mr Maddock. There are no other pay-outs upon resignation or termination.

Paul Cochrane (Chief Financial Officer)
Agreement Commenced 28 June 2017

Term of the Agreement:
The agreement may be terminated by either the Company or Mr Cochrane with 3 months' notice or by the Company in the event of a material breach of misconduct by Mr Cochrane.

Details:
Mr Cochrane's remuneration comprises a base salary of $275,000 plus 9.5% superannuation and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives equal to 35% of his base salary and a long-term incentive to be approved by the shareholders at the next Annual General Meeting in November 2017. Mr Cochrane is responsible for the finance division and the accounting and finance functions of the Company and its associated companies.

(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.

	2017	2016	2015	2014	2013
Total Revenue and Income $'000	26,473	24,155	12,213	10,662	10,874
Net Profit before tax $'000	6,538	10,467	3,105	661	75
EBITDA $'000	9,415	12,468	4,129	1,512	865
Earnings per share (cents per share)	2.84	5.19	2.24	0.80	0.10
Share price at year end	0.37	0.79	0.51	0.12	0.065
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 2017 financial year.

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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 2016	Received as remuneration	Shares acquired	Ceased employment	Balance 30 June 2017
Directors					
Robin Levison	12,549,608	-	355,392	-	12,905,000
Lachlan McIntosh	11,896,166	-	20,000	-	11,916,166
Nirmal Hansra	583,334	-	256,500	-	839,834
Greg Rekers [1]	2,120,608	-	20,000	(2,140,608)	-
Kerry Potter [1]	2,866,442	-	40,000	(2,906,442)	-
Executives					
Jeff Weigh [2]	-	-	400,000	-	400,000
Ryan Maddock [3]	88,450	-	-	(88,450)	-
Paul Cochrane [4]	-	-	-	-	-
Total	30,104,608	-	1,091,892	(5,135,500)	26,061,000

[1] Ceased to be key management personnel on 8 February 2017
[2] Commenced to be key management personnel on 7 February 2017
[3] Ceased to be key management personnel on 30 June 2017
[4] Commenced to be key management personnel on 28 June 2017

Options held

There were no options over ordinary securities held during the financial year by any of the directors of the Group or other key management personnel of the Group, including their personally related parties.

(h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

As at 30 June 2017, total loans outstanding to Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, from Eureka Group Holdings Limited, was $nil (2016: $nil).

	Consolidated	
	30 June 2017 $	**30 June 2016 $**
Balance at beginning of year	-	-
Increase in loan amount	-	410,000
Loan repayments made	-	(411,105)
Interest charged	-	1,105
Conversion of debt to convertible notes/shares	-	-
Amount included in current financial liabilities – Shareholder Loans	-	-

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 traded from a premises owned by Dotted Line Pty Ltd, an entity associated with Greg Rekers. The premises was rented on commercial terms. Rent totalling $34,573 was paid during the year (2016: $39,600). As at 30 June 2017 the amount outstanding to Rekers Family Trust was $nil (2016: $nil).

Greg Rekers and Associates
Greg Rekers and Associates, a business associated with Greg Rekers, was paid fees of $nil (2016: $22,000) for providing due diligence research and advice during the year.

Directors' Report

Griffith Scenic Village Pty Ltd
Griffith Scenic Village Pty Ltd***,*** an entity associated with Lachlan McIntosh, paid the Group management fees of $8,203 on commercial terms (2016: $8,414). As at 30 June 2017 the amount outstanding from Griffith Scenic Village Pty Ltd Pty Ltd was $nil (2016: $25,480).

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $22,178 for Manager's unit rental fees on commercial terms (2016: $22,178). As at 30 June 2017 the amount outstanding to Griffith Scenic Village Pty Ltd was $nil (2016: $nil).

Gladstone Scenic Village Pty Ltd
Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $10,320 on commercial terms (2016: $8,044). As at 30 June 2017 the amount outstanding from Gladstone Scenic Village Pty Ltd was $nil (2016: $nil).

Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $29,229 for Manager's unit rental fees on commercial terms (2016: $29,229). As at 30 June 2017 the amount outstanding to Gladstone Scenic Village Pty Ltd was $nil (2016: $nil).

22 Capital Pty Ltd
During the year, 22 Capital Pty Ltd, an entity associated with Lachlan McIntosh, was paid $206,250 in consulting fees (2016: $375,815). At 30 June 2017, the amount outstanding to 22 Capital Pty Ltd was $nil (2016: $66,000).

Ignition Equity Partners Pty Ltd
During the year, Ignition Equity Partners Pty Ltd, an entity associated with Robin Levison, received investor relations and capital raising fees of $nil (2016: $346,740). At 30 June 2017, the amount outstanding to Ignition Equity Partners Pty Ltd was $nil (2016: $206,250).

This concludes the remuneration report, which has been audited.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 75.

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

Robin Levison
Executive Chairman

Dated in Brisbane this 24th day of August, 2017.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Revenue	3	24,053	19,350
Other income	3	2,420	4,805
Expenses			
Village operating costs		(12,796)	(8,804)
Impairment – trade receivables		(126)	(37)
Employee benefits expenses		(1,339)	(1,172)
Finance expense	4	(2,606)	(1,733)
Marketing expenses		(205)	(274)
Consultancy expenses		(653)	(151)
Depreciation & amortisation expenses	4	(271)	(268)
Lease expenses	4	(201)	(255)
Other expenses		(1,738)	(994)
Profit before income tax expense		6,538	10,467
Income tax expense	5	-	-
Profit after income tax expense		6,538	10,467
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		6,538	10,467
Basic and diluted earnings per share (cents per share)	23	2.84	5.19

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 2017

		Consolidated	
	Note	30 June 2017 $'000	30 June 2016 $'000
Current Assets			
Cash and cash equivalents	19	4,395	6,841
Trade and other receivables	6	2,632	3,407
Inventories	7	7,649	6,300
Other assets	8	1,623	846
Loans receivable	10	76	66
Total current assets		16,375	17,460
Non-Current Assets			
Loans receivable	10	501	539
Other assets	8	3,000	-
Investment property	12	100,666	86,472
Property, plant and equipment	13	1,665	1,232
Intangible assets	14	6,327	5,620
Total non-current assets		112,159	93,863
Total Assets		128,534	111,323
Current Liabilities			
Trade and other payables	15	2,660	3,688
Other financial liabilities	17	1,554	5,123
Provisions	16	289	144
Total current liabilities		4,503	8,955
Non-current liabilities			
Other financial liabilities	17	49,019	37,393
Provisions	16	145	41
Total non-current liabilities		49,164	37,434
Total Liabilities		53,667	46,389
Net Assets		74,867	64,934
Equity			
Share capital	18	94,255	90,860
Accumulated losses		(19,388)	(25,926)
Total Equity		74,867	64,934

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

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Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers (2)		24,277	17,030
Payments to suppliers & employees (1)		(17,987)	(11,247)
Interest received		49	44
Interest paid		(2,266)	(1,587)
Net Cash provided by/(used) in Operating Activities (2)	19(b)	4,073	4,240
Cash Flows from Investing Activities			
Payments for additions to investment properties (2)		(15,719)	(40,514)
Payments for property, plant & equipment (3)		(302)	(111)
Proceeds from the sale of intangible assets		171	482
Payments made to sell intangible assets		(10)	-
Payments for loans provided		(561)	(1,141)
Repayments of loans provided (2)		67	178
Repayment of residential obligation loans		(246)	-
Payments for intangible assets		(849)	(803)
Net Cash provided by/(used) in Investing Activities (2)		(17,449)	(41,909)
Cash Flows from Financing Activities			
Proceeds from borrowings		9,848	18,637
Repayment of borrowings		(1,667)	(827)
Payments of transaction costs related to borrowings		(440)	(250)
Proceeds from share issues	18	3,948	22,900
Payments for share buy back	18	(523)	-
Payments for share issue and buy back transaction costs		(236)	(1,104)
Net Cash provided by/(used in) Financing Activities		10,930	39,356
Net increase/(decrease) in cash and cash equivalents		(2,446)	1,687
Cash and cash equivalents at the beginning of the financial year		6,841	5,154
Cash and cash equivalents at the end of the financial year	19(a)	4,395	6,841

(1) Included in cash payments made was an amount of $1.3 million for capital and other improvements to inventory held at Terranora to prepare the inventory for sale.

(2) A significant non-cash investing activity took place during the year ended 30 June 2017 for $3 million. Refer to Note 8. Also Investment Property of $0.93 million was purchased on non-cash basis, refer to note 19.

(3) Property, plant and equipment of $0.27 million was purchased on non-cash basis, refer to note 19.

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 2017

	Share Capital $'000	Consolidated Accumulated Losses $'000	Total $'000
For the year ended 30 June 2017			
Balance at 1 July 2016	90,860	(25,926)	64,934
Profit for the year	-	6,538	6,538
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	6,538	6,538
Transactions with owners in their capacity as owners:			
Share issued during the year	3,948	-	3,948
Share buy back	(523)	-	(523)
Capital raising costs	(30)	-	(30)
Balance at 30 June 2017	94,255	(19,388)	74,867
For the year ended 30 June 2016			
Balance at 1 July 2015	68,248	(36,393)	31,855
Profit for the year	-	10,467	10,467
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	10,467	10,467
Transactions with owners in their capacity as owners:			
Shares issued during the year	23,920	-	23,920
Capital raising costs	(1,308)	-	(1,308)
Balance at 30 June 2016	90,860	(25,926)	64,934

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 2017

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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 2017 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 Independent Living Communities.

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

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

The financial report was authorised for issue on 24 August 2017 by the Directors.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

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

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

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 2016.

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

CONSOLIDATION

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

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2017 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

Rent Revenue
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Rent not received at balance date is reflected in the balance sheet as a receivable, or if paid in advance, as deferred revenue. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent. Rental subsidy receipts from government bodies are recorded on an accruals basis as an entitlement to this income accrues on the provision of accommodation.

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. The Group also provides property consulting services to third parties for agreed fees. 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. Certain transactions undertaken involve the exchange of assets. Where an exchange of assets is undertaken which has commercial substance and appropriate measurement can be made, acquired assets are measured at fair value and assets exchanged are derecognised at their carrying value. Any differences are recorded in the profit and loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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 by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/ (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivables/ (payables) are at call.

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

Trade 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.

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FOR THE YEAR ENDED 30 JUNE 2017

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.

INVESTMENT PROPERTY

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

Transfers from investment property to inventory are determined by a change of use as evidenced by a start of development with a view to subsequent sale The fair value of the investment property at the date of transfer becomes the deemed cost of inventory.

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

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on date of change of use.

Fair value is determined from market based evidence, by an appraisal undertaken by a professionally qualified valuer with experience in the location, category of the investment property, reputation, independence and whether professional standards are maintained. It is the Group's policy to have all investment properties externally valued at intervals of not less than three years or a third of the properties each year. Internal valuations are undertaken with reference to current market conditions and available information for those investment properties not externally valued at each reporting date. It is the policy of the Group to review the fair value of each investment property at each reporting date and to cause investment properties to be revalued to fair values.

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

PROPERTY PLANT & EQUIPMENT

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

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

INTANGIBLE ASSETS

Only intangible assets that have been purchased or paid for by the Group are recognised in the accounts. 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 (for strata-titled villages), or over the period of the management right contract (for single-owner villages).

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

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

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, instead goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not subsequently reversed.

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.

FAIR VALUE MEASUREMENT

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

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

FINANCIAL ASSETS AND LIABILITIES

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 corporate bond rates 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.

RETIREMENT VILLAGE RESIDENT LOANS

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

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

FINANCE COSTS

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

GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Notes to the Financial Statements

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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 regularly and review in detail the current cash position and cash flow forecasts having regard to planned expansions and take the necessary action to ensure sufficient funds are available.

CONTRIBUTED EQUITY

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

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

EARNINGS PER SHARE

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

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

OPTIONS OVER PROPERTY

Options over property are initially measured at cost. Subsequent to acquisition options continue to be recorded at cost, however are tested for impairment on an annual basis. Impairment is tested by reference to the assessed value of the underlying property assets or final cash settlement alternatives. Impairment losses are recorded as incurred.

USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

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

For strata-titled villages where management rights are attached, the Group amortises its management rights over a period of 40 years (being the estimated useful life). The amortisation period used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. In determining the useful life, the Group 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.

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

Investment Property – Classification

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

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

Associated with these properties are insignificant ancillary services – principally the provision of food services to residents. Judgement is required as to whether the ancillary services are significant. Management has determined that the ancillary services are not significant by comparing the fair value of the ancillary services to the total income generated from the property. In addition, qualitative factors have been considered as part of the assessment of ancillary services including both operational and legislative considerations. An assessment of the qualitative and economic factors associated with these services has been made and the ancillary services have been concluded not to be significant and hence property has been recorded as investment property.

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

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

a) Acquisition price paid for the property;
b) Recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
c) Capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity and capitalisation rate derived from analysis of market evidence.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

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

Recovery of Other Receivables
At each reporting date the Group assesses the recoverability of other receivables and loans by reference to the expected future cash flows and credit worthiness of the borrower. Security provided is also considered.

PARENT ENTITY

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 29. 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 2017 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments
AASB 9 Financial Instruments includes requirements for the classification, measurement and de-recognition of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable to the Group until 1 July 2018 but is available for early adoption. The Group is currently assessing the impact of the new guidance.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all existing revenue recognition accounting standards and interpretations. The standard introduces five step model and provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will conduct impact assessment during the 2018 financial year. The impact will be quantified when the assessment has been completed. As a result of the complete assessment, the result and impact on revenue if any, will invariably impact the transition method adopted.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

3. REVENUE

	Consolidated	
	30 June 2017 $'000	**30 June 2016 $'000**
Revenue		
Catering – managed properties	1,992	3,243
Catering – owned properties	2,146	1,338
Service fees	1,842	1,312
Property maintenance and consulting services	1,833	2,992
Rental income	14,826	9,735
Other revenue	1,414	730
	24,053	19,350
Other Income		
Interest revenue	172	314
Net gain revaluation of investment property to fair value	1,046	4,041
Gain on sale of management rights	(10)	450
Insurance claim revenue	1,007	-
Other income	205	-
	2,420	4,805

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

4. ITEMS INCLUDED IN PROFIT/(LOSS)

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Profit/(loss) before income tax expense includes the following specific items:		
Flood damage expense	519	-
Rental expense relating to operating leases		
- Minimum lease payments	201	255
Finance cost		
- Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,606	1,733
Total finance cost	2,606	1,733
Amortisation		
- Management rights	137	151
- Rent rolls	3	3
- Website	2	1
Total amortisation	142	155
Depreciation		
- Plant & equipment	101	86
- Buildings	17	20
- Motor vehicles	11	7
Total depreciation	129	113
Defined contribution superannuation expense	421	238

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

5. INCOME TAX

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
The major components of income tax expense for the years ended 30 June 2017 and 2016 are:		
Consolidated Statement of Profit or Loss		
Current income tax	-	-
Deferred income tax	-	-
Income tax expense reported in the Statement of Profit or Loss	-	-
A reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate of 30% presents as follows:		
Accounting profit before tax	6,538	10,427
Income tax calculated at 30%	1,961	3,140
Tax effect of permanent differences	1	1
Recognition of deferred tax assets not previously recognised	(1,962)	(3,141)
Income tax expense reported in the Statement of Profit or Loss	-	-

6. TRADE AND OTHER RECEIVABLES

Trade debtors (i)	382	2,102
Other debtors	400	327
Financing extended (i)	1,939	1,076
Provision for impairment	(89)	(98)
	2,632	3,407

(i) Refer to Note 8 – amounts previously classified as trade debtors and financing extended were transferred to other non-current assets upon execution of the agreement disclosed in Note 8 between the Group and the parties to these amounts. The amount transferred was $3 million during year ended 30 June 2017.

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

The amounts advanced are secured over assets of the third party.

7. INVENTORIES

Catering inventory – at cost	7	29
Terranora units	7,642	6,271
	7,649	6,300

The Terranora units transferred from investment property in 2016 were recognised at the date of transfer at fair value which, as inventory, is considered deemed cost. The costs of additional development are capitalised to the inventory as incurred. Inventory is recorded at the lower of cost and net realisable value. No valuation adjustments were required at 30 June 2017. The inventory is expected to be realised within 12 months via sales to third parties.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

8. OTHER ASSETS

	Consolidated	
Current	**30 June 2017 $'000**	**30 June 2016 $'000**
Deposits	204	4
Prepayments and other assets (iii)	1,419	221
Capital replacement funds (ii)	-	621
	1,623	846
Non-current		
Other (i)	3,000	-
	3,000	-

(i) The Group has acquired by way of a call option an equitable interest in land at Couran Cove. The option has a 3 year life. The option is secured by registered mortgage over land assets at Couran Cove subject to the option and additional land assets.

The land which is the subject of the option has a development approval for 60 lots/cabins and up to 120 tenancies. The land is adjacent to the 29 cabins already owned by the Group at Couran Cove. The option is exercisable individually for up to 60 lots during the option period. At the conclusion of the three year term, for any lots for which an option has not been exercised, the Group will receive a settlement in cash. Settlement will be based on the number of unexercised lots as a % of the 60 lots, applied to a $3.0 million value.

The option was acquired on 31 December 2016 for $3.0 million and the nature of the asset is an Other non-current asset which is measured at cost. At 30 June 2017, the directors valued the underlying land asset at $3.0 million which supports the carrying amount of the asset.

The acquisition of the option described above for $3.0 million was in lieu of the receipt of cash for the settlement of consultancy fees, trade and other loan amounts as disclosed in Note 6. If cash settlement had been received for the amounts receivable and then cash paid for the option asset acquired, the reported cash receipts from customers and operating cash flows would have increased by $2.67 million and repayments for loans provided would have increased by $0.33 million. Corresponding increases would have been shown in net cash outflows for investing activities for the option purchase.

The Group has completed design and pricing for a development on the land and may exercise its option and commence construction on the land of a senior's rental village.

As part of this transaction, the Group has also retained the upside potential of this asset by having been granted an entitlement right to 30% of the proceeds of the sale of certain Couran Cove management and infrastructure rights, if sold in the next 3 years by the current owner. This entitlement is secured by a specific charge over the management and infrastructure rights and a general security agreement over the entity that owns the rights. The Directors have placed no value on this entitlement as receipt of any benefit is dependent on the current owner taking a voluntary action to sell these rights. If the management and infrastructure rights are not sold, the Group's entitlement to receive 30% of the sale proceeds expires.

(ii) A statutory charge, imposed under the Retirement Villages Act 1999 (Qld), exists over all amounts held in capital replacement funds, which restricts the use for which these funds can be applied. These amounts were utilised in the period to satisfy capital replacement obligations.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

9. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Recognised in the Statement of Financial Position		
Deferred tax assets		
Tax losses	4,741	2,812
Deferred tax liabilities		
Difference in depreciation for tax and accounting	(257)	(187)
Intangible assets	-	-
Investment properties	(4,271)	(2,869)
Net (assessable) and deductible differences on sundry items	(213)	244
Net deferred tax assets	-	-
Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets		
Tax losses	3,968	6,589
Net (assessable) and deductible differences on sundry items	-	-
Net unrecognised deferred tax assets	3,968	6,589
Reconciliation of Unrecognised tax balances		
Opening unrecognised amounts	6,589	9,412
Recognition of temporary differences	-	-
Recognition and use of tax losses	(2,621)	(3,260)
Adjustment to prior period balances	-	437
Total movement	(2,621)	(2,823)
Closing balance	3,968	6,589

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items until it is probable that future taxable profits will be available against which the Group can utilise these benefits. The benefits of the Group's recognised and unrecognised tax losses will only be realised if (a) The Group continues to meet the requirements of applicable tax laws to allow the losses to be carried forward and utilised; (b) the Group earns taxable income in future periods; and (c) Applicable tax laws are not changed, causing the losses to be unavailable.

10. LOANS RECEIVABLE

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Loans – vendor finance	577	605
	577	605
Current	76	66
Non-current	501	539
	577	605

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

The Group acquired a loan book as part of the purchase of Elizabeth Vale Scenic Village Pty Ltd. Security for the loan consists of a first ranking mortgage over the property to which the loan pertains.

Vendor finance loans have maturity dates of between 6.5 and 8.1 years and interest is payable on these loans at a rate of between 5.50%-6.25%.

11. INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Equity Holding 30 June 2017 %	Equity Holding 30 June 2016 %
Compton's Caboolture Pty Ltd	Australia	100%	100%
Compton's Villages Australia Unit Trust	Australia	100%	100%
Easy Living (Bundaberg) Unit Trust	Australia	100%	100%
Easy Living Unit Trust	Australia	100%	100%
ECG No. 1 Pty Ltd	Australia	100%	100%
EGL Finance Pty Ltd	Australia	100%	100%
Elizabeth Vale Scenic Village Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%
Eureka Care Communities (Morphetville) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 2) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 3) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Salisbury) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Wynnum) Pty Ltd	Australia	100%	100%
Eureka Care Communities Unit Trust	Australia	100%	100%
Eureka Cascade Gardens (Albert Gardens) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Ayr) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Belgian Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Bowen) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Broken Hill) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Cairns) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Couran Cove) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Gladstone) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Lismore) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Margate) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Orange) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Southport) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Tivoli) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Townsville) Pty Ltd	Australia	100%	-
Eureka Group Care Pty Ltd	Australia	100%	100%
Eureka Property Pty Ltd	Australia	100%	100%
Eureka Easy Living Pty Ltd	Australia	100%	100%
Eureka Whitsunday Pty Ltd	Australia	100%	-
Fig Investments Pty Ltd	Australia	100%	100%
Rockham Two Pty Ltd	Australia	100%	100%
Rockham Unit Trust	Australia	100%	100%
SCV Leasing Pty Ltd	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
SCV No. 1 Pty Ltd	Australia	100%	100%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

All new entities in the period were newly incorporated by the Group to purchase investment property assets and were not acquired in a business combination.

12. INVESTMENT PROPERTY

	Consolidated	
	30 June 2017 $'000	**30 June 2016 $'000**
Investment properties at fair value	100,666	86,472
Movements in investment properties:		
Balance at beginning of reporting period	86,472	39,689
Acquisitions	9,029	48,235
Disposals	(171)	-
Subsequent expenditure	4,290	778
Transfer to inventory	-	(6,271)
Net increment due to fair value adjustment	1,046	4,041
Balance at end of reporting period	100,666	86,472

The Group's investment properties are shown individually in the table below. The investments consist of twenty six retirement village assets along with associated manager's units and other rental units. The Group considers their investments reside in one class of asset – Seniors Rental Villages.

Independent valuations have been received during the current period for 35% of the portfolio. At 30 June 2017, the Group undertook a review of the fair value of all investment properties held and as shown in the table above, recorded an increment due to fair value adjustment. This adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed in Note 21.

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

Fair value hierarchy disclosures for investment properties have been provided in Note 21.

Amounts recognised in profit or loss for investment properties:

	Consolidated	
	30 June 2017 $'000	**30 June 2016 $'000**
Rental income	14,826	9,735
Direct operating expenses generating rental income	(10,630)	(6,088)
Net gain revaluation of investment property to fair value	1,046	4,041

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Certain assets are however pledged as security for borrowings – Refer to note 17(a).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying amount 30 Jun 17 $'000	Carrying amount 30 Jun 16 $'000
92 Primrose Street Belgian Gardens	Belgian Gardens QLD	Jun-16	1,000	1,000
61 Marana Street Bilambil Heights	Bilambil Heights NSW	Dec-15	2,700	2,700
Bowen Village	Bowen QLD	Dec-15	1,434	1,320
Broken Hill Village	Broken Hill NSW	Dec-16	1,990	-
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	4,988	4,791
Lot 21 134-136 King Street Caboolture	Caboolture QLD	Sep-12	70	70
Lot 43 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	May-14	268	280
53 & 54 34 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	140	140
80 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	265	280
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,952	4,687
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	260	252
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	4,693	4,536
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	3,900	3,900
Rockhampton Village 1	Frenchville QLD	Oct-15	3,201	2,831
Rockhampton Village 2	Frenchville QLD	Dec-15	5,674	4,521
15/8 Wicks Street, New Auckland	Gladstone QLD	Sept-16	50	-
Lot 49 Hackham Community Centre (manager's unit)	Hackham SA	Oct-14	294	291
97 144 Main South Road Hackham	Hackham SA	May-15	294	291
33 Mardross Court Lavington	Lavington VIC	Jun-15	3,457	3,450
Lismore Village	Lismore NSW	May-15	4,751	4,264
Cascade Gardens Mackay	Mackay QLD	Apr-14	7,897	7,511
176 Victoria Street Mackay	Mackay QLD	Mar-17	547	-
43 Macdonnell Court Margate	Margate QLD	Jun-16	3,900	2,789
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	3,352	3,100
Lambert Village	Mt Gambier SA	Sept-15	2,408	2,311
10 Wyatt Street	Mt Gambier SA	Aug-16	350	-
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	3,862	4,296
Amber Lodge	Morphettville SA	Jun-16	2,593	4,475
Albert Street Gardens Village	Orange NSW	Sept-16	5,599	-
Alexam Place	Salisbury East SA	Feb-16	4,527	4,600
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	3,868	2,925
84 10 Winani Street Slacks Creek (manager's unit)	Slacks Creek QLD	Jul-04	-	171
7 Meron Street Southport	Southport QLD	Jun-16	4,190	3,373
Couran Cove	South Stradbroke Island QLD	Jun-16	2,747	1,975
Lot 8,9,20,21&22 56A Moores Pocket Road Tivoli	Tivoli QLD	Mar-15	535	80
Myall Place Retirement Village	Whyalla SA	Jan-15	4,013	4,164
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,147	5,098
Investment Property Enhancements	In Progress	June-17	750	-
			100,666	86,472

13. PROPERTY, PLANT & EQUIPMENT

	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Buildings at cost	625	642
Accumulated depreciation	(174)	(176)
	451	466
Plant & equipment at cost	1,973	1,439
Accumulated depreciation	(827)	(752)
	1,146	687
Motor Vehicles at cost	88	88
Accumulated depreciation	(20)	(9)
	68	79
Total property, plant & equipment	1,665	1,232

Reconciliation of movements in property, plant & equipment:

	Buildings $'000	Plant & Equipment $'000	Motor Vehicle $'000	Total $'000
Opening balance at 1 July 2015	486	378	14	878
Additions at cost	-	395	72	467
Depreciation expense	(20)	(86)	(7)	(113)
Closing balance at 30 June 2016	466	687	79	1,232
Opening balance at 1 July 2016	466	687	79	1,232
Additions at cost	2	560	-	562
Depreciation expense	(17)	(101)	(11)	(129)
Closing balance at 30 June 2017	451	1,146	68	1,665

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

14. INTANGIBLE ASSETS

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Management rights – at cost	4,682	4,512
Accumulated amortisation	(1,211)	(964)
Carrying amount of management rights	3,471	3,548
Rent rolls – at cost	140	140
Accumulated amortisation	(38)	(35)
Carrying amount of rent rolls	102	105
Other intangibles – at cost	830	41
Accumulated amortisation	(31)	(29)
Carrying amount of other intangibles	799	12
Goodwill	1,955	1,955
Total intangible assets	6,327	5,620

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.

During the period, the Group also acquired certain trading and operating licences with investment property. These are included in other intangibles. These assets are not amortised as their term is not limited and there is no expectation the licences will be cancelled.

Impairment tests for Goodwill

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. Goodwill has been allocated to the property management cash generating unit.

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

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

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

- cash flows were projected over a five year period by applying a 2% growth rate (2016: 2%) to the most recent years' cash flows;
- the terminal value was calculated using a growth rate of 2% (2016: 2%);
- cash flows have been discounted using a pre-tax discount rate of 25% (2016: 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Reconciliation of movements in intangible assets:

	Management Rights $'000	Rent Rolls $'000	Goodwill $'000	Other intangibles $'000	Total $'000
Opening balance at 1 July 2015	2,932	108	1,955	9	5,004
Additions at cost	800	-	-	4	804
Transfer to/from assets held for sale	(33)	-	-	-	(33)
Amortisation expense	(151)	(3)	-	(1)	(155)
Closing balance at 30 June 2016	3,548	105	1,955	12	5,620
Opening balance at 1 July 2016	3,548	105	1,955	12	5,620
Additions at cost	60	-	-	789	849
Disposals	-	-	-	-	-
Amortisation expense	(137)	(3)	-	(2)	(142)
Closing balance at 30 June 2017	3,471	102	1,955	799	6,327

The remaining amortisation period on a weighted average basis of the management rights are 22 years (2016: 23 years).

15. TRADE & OTHER PAYABLES

	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Trade creditors and accruals	1,625	1,435
Retirement Village Resident Loans[1]	928	1,162
Capital Replacement Obligations	-	621
Acquisition related accruals	107	470
	2,660	3,688

[1] Movements from 30 June 2016 represents payments made to residents

16. PROVISIONS

Current		
Employee benefits	289	144
	289	144
Non-current		
Employee benefits	145	41
	145	41

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

17. OTHER FINANCIAL LIABILITIES

		Consolidated	
		30 June 2017 $'000	30 June 2016 $'000
Current			
Commercial bills – secured	(a)	1,538	5,087
Insurance funding		-	12
Finance lease		8	8
Motor vehicle loan		8	16
		1,554	5,123
Non-current			
Commercial bills – secured	(a)	49,018	37,374
Finance lease		1	9
Motor vehicle loan		-	10
		49,019	37,393

(a) Commercial bills and advances

Terms and conditions – 30 June 2017

As at 30 June 2017, the Group has access to the following commercial bill facilities:

National Australia Bank ("NAB"):

During the period, NAB borrowings were consolidated and now comprises of two facilities:

- Facility 1 – maximum limit of $20,000,000. Interest rates vary for each loan component within the facility limit.
- Facility 2 – maximum limit of $35,000,000. Interest rates vary for each loan component within the facility limit.

Applicable interest rates on the drawn facilities are provided below:

- Commercial bill – secured fully drawn limit $16,700,000. Expires on 31 December 2019. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2019. Interest is payable at the rate of 4.99%.
- Commercial bill – secured fully drawn limit of $2,525,000. Expires on 31 December 2021. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.05%).
- Commercial bill – secured fully drawn limit of $3,700,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate of 4.85%.
- Commercial bill – secured fully drawn limit of $3,000,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate of 4.95% on $2,500,000 and variable rate of $4.47% on $500,000.
- Commercial bill – secured fully drawn limit of $6,500,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate on this facility of 4.97%.
- Commercial bill – secured fully drawn limit of $2,800,000. Expires on 31 December 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.07%).
- Commercial bill – secured fully drawn limit of $2,461,250. Expires on 31 December 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.05%).
- Commercial bill – secured fully drawn limit of $6,550,000. Expires on 31 December 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.01%).
- Commercial bill – secured fully drawn limit of $3,050,000. Expires on 31 December 2021. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.05%).
- Commercial bill – secured fully drawn limit of $2,169,000. Expires on 31 December 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.05%).

At 30 June 2017, total drawings on the facility were $49,455,250.

Westpac Banking Corporation ("Westpac"):

- Commercial bill – secured fully drawn limit of $1,500,000. Expires on 31 December 2017. Monthly repayment of $100,000 per month. Interest is payable at a variable rate on this facility (currently 5.1%).

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FOR THE YEAR ENDED 30 JUNE 2017

The commercial bill liabilities are secured against a certain amount of the Group's investment property asset. The total amount of security provided at 30 June 2017 was $100,666,155. This value represents the fair value of assets pledged based on the carrying values recorded by the Group at 30 June 2017.

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

As at 30 June 2017, the Group had the following banking covenants:

- The Debt Service Cover Ratio for the Group must not be less than or equal to 2.5:1.
- The Gearing Ratio for the Group must be less than 50%.
- The LVR must not exceed 57% upto and including 30 March 2017 or 55% 31 March 2017 onwards.
- The Dividend Payout Amount for the financial year must not exceed 100% of the Net Profit After Tax for the Group for that Financial Year.

The Group complied with its covenants through 30 June 2017.

Terms and conditions – 30 June 2016

National Australia Bank ("NAB"):

- Commercial bill – secured fully drawn limit of $2,349,000. Expires on 31 January 2017. Principal repayment of $30,000 per month. Interest is payable at a variable rate on this facility (currently 4.49%).
- Commercial bill – secured fully drawn limit $16,700,000. Expires on 31 December 2019. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2019. Interest is payable at the rate of 4.98% on $7,000,000 and 4.99% on $9,700,000.
- Commercial bill – secured fully drawn limit of $2,525,000. Expires on 29 March 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.44%).
- Commercial bill – secured fully drawn limit of $3,700,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate of 4.85%.
- Commercial bill – secured fully drawn limit of $3,000,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.86%).
- Commercial bill – secured fully drawn limit of $6,500,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate on this facility of 4.97%.
- Commercial bill – secured fully drawn limit of $2,800,000. Expires on 29 March 2019. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.45%).
- Commercial bill – secured fully drawn limit of $2,461,250. Expires on 30 June 2019. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.39%).

Westpac Banking Corporation ("Westpac"):

- Commercial bill – secured fully drawn limit of $2,700,000. Expires on 31 December 2016. Monthly repayment of $100,000 per month commenced from April 2016. Interest is payable at a variable rate on this facility (currently 5.31%).

The loans are secured by:

- Registered mortgages over its managers' units and other real estate at its Communities (carrying amount of $92,758,611);
- Guarantee and indemnity given by EGH and its controlled entities ($31,045,250); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $110,701,756).

As at 30 June 2016, the Group had the following banking covenants:

- Minimum interest cover of 2.25 times as measured for the 3 month period ending on each quarter.
- Minimum capital adequacy of 30% as measured on a daily basis and reported quarterly.
- Minimum EBITDA of each of the freehold villages shall be as follows: Elizabeth Vale $202,300, Avenell Heights $172,550, Whyalla $165,750, Mackay $269,025, Smithfield $96,475, Elizabeth Vale 2 $153,000, Lismore $229,500, Mildura $129,625, Albury $108,800 Mt Gambier $127,500, Rockhampton 1 $160,650 and Rockhampton 2 $212,299, Wynnum $182,750, Terranora $168,128 and Salisbury $286,875.

The Group complied with its covenants through 30 June 2016.

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18. 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 2017 Number	30 June 2017 $'000	30 June 2016 Number	30 June 2016 $'000
Balance at start of year	225,784,473	90,860	188,099,927	68,248
Shares issued at $0.54 for cash	-	-	7,003,877	3,782
Shares issued at $0.54 for cash	-	-	12,255,383	6,618
Shares issued at $0.58 for acquisition of villages [1]	-	-	1,758,620	1,020
Shares issued at $0.75 for cash	5,263,400	3,948	16,666,666	12,500
Shares bought back during the period	(1,375,950)	(523)	-	-
Capital raising costs	-	(30)	-	(1,308)
On issue at end of the year	229,671,923	94,255	225,784,473	90,860

[1] These shares were issued as part of the non-cash consideration paid to acquire Rockham Two Unit Trust during the period.

Share Buy Back
During the year ended 30 June 2017, the company announced its intention to buy back up to 10% of the current ordinary shares outstanding, for a period of 1 year from 16 March 2017. As at 30 June 2017, 1,375,950 ordinary shares have been cancelled.

Options

No options were issued during the period.

19. CASH FLOW INFORMATION

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
(a) Reconciliation of cash		
Cash at bank and on hand	4,395	6,841

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

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Profit/(loss) for the year	6,538	10,467
Depreciation and amortisation	271	268
Impairment – management rights	-	-
Impairment – assets held for sale	-	-
Asset revaluation	(1,046)	(4,041)
(Gain)/loss on sale of management rights and managers units	10	(450)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

(Increase)/decrease in:		
- Trade and other receivables	36	(2,848)
- Inventories	(1,372)	(10)
- Other current assets	(725)	(39)
Increase/(decrease) in:		
- Trade and other payables	112	772
- Provisions	249	121
Net cash flow from/(used in) operating activities	4,073	4,240

(c) Non cash investing and financing activities

Refer to note 8 for details of non-cash investing activity which took place during the year. In addition to this, the Group is party to an arrangement where it acquires goods and services by way of non-cash exchanges. During the period, property, plant and equipment and investment property $1,190,648 was acquired in this manner.

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 assumed borrowings of $2,525,000 and issued $1,020,000 of shares as part of the acquisition of Rockhampton 2 village;
- The Group assumed borrowings of $3,000,000 as part of the acquisition of Mt Gambier 2 village; and
- The Group acquired $357,200 of plant and equipment with non-cash consideration.

20. FINANCIAL INSTRUMENTS

Overall policy

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

	Consolidated	
	30 June 2017 $'000	**30 June 2016 $'000**
Maximum exposure to credit risk		
Cash and cash equivalents	4,395	6,841
Trade and other receivables	2,632	3,407
Loans receivable	577	605
	7,604	10,853

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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 2017		30 June 2016	
	Gross amount receivable $'000	**Provision for Impairment $'000**	**Gross amount receivable $'000**	**Provision for Impairment $'000**
Due 0-30 days	2,455	-	1,072	-
Past due 30-60 days	11	-	637	-
Past due 60-90 days	7	-	574	-
Past due 90 + days	248	(89)	1,222	(98)
	2,721	(89)	3,505	(98)

Loans receivable

The Group's exposure to credit risk is limited to the vendor finance book balance which was part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd during the prior year. The loan book consists of 10 individual loan contracts. The Group manages the units which are being held as security for the loans. Repayments are received monthly in accordance with the individual contracts or alternative agreed arrangements in place.

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

	30 June 2017	
	Gross amount receivable $'000	**Provision for Impairment $'000**
Loans receivable		
Current	76	-
Non-current	501	-
	577	-

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.

There were unused borrowing facilities of $5,544,750 at the reporting date.

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

30 June 2017

	Consolidated				
	Contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 – 2 years $'000	More than 2 years $'000
Trade and other payables	2,660	2,660	-	-	-
Commercial bills	57,256	2,937	1,136	13,801	39,382
Other financial liabilities	18	11	6	1	-
Total	59,934	5,608	1,142	13,802	39,382

30 June 2016

	Consolidated				
	Contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 – 2 years $'000	More than 2 years $'000
Trade and other payables	3,688	3,688	-	-	-
Commercial bills	50,562	6,203	921	4,313	39,125
Other financial liabilities	55	25	12	16	2
Total	54,305	9,916	933	4,329	39,127

c) Market risk

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

d) Interest rate risk

The Group's exposure to market interest rates arises from long term borrowings in the form of Commercial Bills. Borrowings issued at variable rates expose the Group to interest rate risk. $21,555,250 of the commercial bills are at variable rates while $29,400,000 is fixed (refer to note 17). The variable portion of the debt does not expose the Group to any material interest rate risk.

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.

21. FAIR VALUE MEASUREMENTS

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

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

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

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

Fair value of financial instruments (unrecognised)
The Group has a number of financial assets and financial liabilities (loans receivable and commercial bills) which are not measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, and therefore have not been disclosed.

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	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated – 2017				
Assets				
Investment properties	-	-	100,666	100,666
Total assets	-	-	100,666	100,666
Liabilities				
Retirement Village Resident Loans	-	-	928	928
Total liabilities	-	-	928	928
Consolidated – 2016				
Assets				
Investment properties	-	-	86,472	86,472
Total assets	-	-	86,472	86,472
Liabilities				
Retirement Village Resident Loans	-	-	1,162	1,162
Total liabilities	-	-	1,162	1,162

Valuation techniques for fair value measurements categorised within level 2 and level 3
At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

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

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

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

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

Description	Valuation technique	Significant unobservable inputs	Range (weighted average) 2017	2016	Relationship of unobservable input to fair value
Investment properties – Retirement Villages	Capitalisation method (1)	Capitalisation rate	9.75%-12.50% (11.04%)	5.67%-14.00% (10.90%)	Capitalisation has an inverse relationship to valuation.
		Stabilised occupancy	81%-100% (91%)	68%-98% (88%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).

Investment properties – Individual Village Units	Direct comparison approach	Comparable sales evidence	N/A	Comparable sales evidence has a direct relationship to valuation.
Retirement village resident loans	Ingoing contribution less deductions for length of stay	Estimated length of stay of residents	1 – 10 years	The longer the length of stay, the lower the value of resident loans.

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

Fair value measurements using significant unobservable inputs (level 3)
Movements in level 3 asset items during the current and previous financial year are set out in note 12.

Valuation processes
Independent valuations have been obtained for a number of Retirement Villages during the year ended 30 June 2017 and were used as the basis for determining their fair values. Selection criteria include market knowledge, experience and qualifications, reputation, independence and whether professional standards are maintained.

Where an independent valuation has not been performed on an investment property as at 30 June 2017, management has estimated the fair values by performing internal valuations based on valuations performed by an independent valuer commissioned by the Group when acquiring the properties.

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 2017 $'000	**30 June 2016 $'000**
Within 1 year	234	164
Greater than 1 year but not longer than 5 years	692	491
Greater than 5 years	840	951
	1,766	1,606

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

b) Capital expenditure

The Group had no capital commitments for property, plant and equipment as at 30 June 2017.

As at 30 June 2017, the Group had a contractual capital commitment for the acquisition of the Gympie Village totalling $3,830,000 less the deposit paid of $100,000. This commitment was not recognised as a liability as the relevant assets had not yet been received.

Notes to the Financial Statements

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23. EARNINGS PER SHARE

	30 June 2017 $'000	30 June 2016 $'000
Net profit used in calculating basic and diluted earnings per share	6,538	10,467
	Thousands	Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	230,603	201,505
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	230,603	201,505
Basic earnings per share	2.84 cents	5.19 cents
Diluted earnings per share	2.84 cents	5.19 cents

For the year ended 30 June 2017, there were no dilutive transactions to be included in the diluted earnings per share calculation.

24. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
Short term employee benefits	1,014	1,026
Post-employment benefits	28	18
Total	1,042	1,044

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	-	-
Increase in loan amount	-	410
Loan repayments made	-	(411)
Interest charged	-	1
Balance at end of the year	-	-

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FOR THE YEAR ENDED 30 JUNE 2017

(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 2017 $'000	30 June 2016 $'000
Consulting fees	206	398
Commission	-	10
Rent	86	91
Capital raising fees	-	347
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables)	-	272

(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	19	16
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables)	-	25

(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.

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 2017 that require disclosure in the financial report.

27. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

For the period ended 30 June 2017, the Group is organised into two operating segments, all located in Australia:

- Rental Villages – Ownership of senior's rental villages; and
- Property Management - Management of seniors independent living communities.

The results not included in the two operating segments identified are treated as:

- Unallocated – Represents the consulting fees charged, corporate services functions costs, inventory, cash balances and capital replacement funds.

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

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

No reporting or reviews are made of cash flows and as such this is not measured or reported by segment.

Consolidated - 30 June 2017	**Rental Villages $'000**	**Property Management $'000**	**Unallocated $'000**	**Total $'000**
Revenue	17,213	5,426	-	22,639
Interest revenue	-	-	172	172
Other revenue	2,244	-	1,418	3,662
Total Revenue	19,457	5,426	1,590	26,473
Expenses	10,629	2,751	3,938[1]	17,318
Interest expense	2,454	-	153	2,607
Total expenses	13,083	2,751	4,091	19,925
Profit before income tax expense	6,374	2,675	(2,501)	6,548
Income tax expense	-	-	-	-
Profit after income tax expense	6,374	2,675	(2,501)	6,548
Segment Assets	103,252	6,203	19,079[2]	128,534
Segment Liabilities	53,117	93	506[3]	53,716

[1] Included within unallocated expenses is employee benefits expense of $2.57 million and other administrative expenses of $1.37 million.
[2] Included within unallocated assets is inventory of $7.64 million, Couran Cove land option of $3 million, trade and other receivables of $1.94 million, cash balances of $4.39 million, property, plant and equipment of $0.99 million and Other assets of $1.12 million.
[3] Included within segment liabilities is Provisions of $0.19 million and Superannuation and PAYG withholding payable $0.1 million.

Non-cash and other significant items included in profit above:				
Gain on revaluation of investment property	1,046	-	-	1,046
Depreciation & amortisation	(129)	(142)	-	(271)
Segment acquisitions:				
Acquisition of property, plant and equipment	-	2	558	560
Acquisition of investment property	13,148	-	-	13,148
Acquisition of intangibles	789	60	-	803
Acquisition of inventory	-	-	1,349	1,349

Consolidated - 30 June 2016	**Rental Villages $'000**	**Property Management $'000**	**Unallocated $'000**	**Total $'000**
Revenue	12,222	6,438	446	19,106
Interest revenue	-	-	314	314
Other revenue	4,041	450	244	4,735
Total Revenue	16,263	6,888	1,004	24,155
Expenses	6,088	3,426	2,442[1]	11,956
Interest expense	1,601	-	131	1,732
Total expenses	7,689	3,426	2,573	13,688

Profit before income tax expense	8,575	3,462	(1,570)	10,467
Income tax expense	-	-	-	-
Profit after income tax expense	8,575	3,462	(1,570)	10,467
Segment Assets	87,908	6,380	17,035[2]	111,323
Segment Liabilities	43,137	2,528	724	46,389

[1] Included within unallocated expenses is employee benefits expense of $1.37 million and other administrative expenses of $1.07 million.
[2] Included within unallocated assets is inventory of $6.27 million, trade and other receivables of $2.83 million, cash balances of $6.84 million and capital replacement funds of $0.62 million.

Non-cash and other significant items included in profit above:				
Gain on revaluation of investment property	4,041	-	-	4,041
Gain on sale of management rights	-	490	-	490
Depreciation & amortisation	(50)	(175)	(43)	(268)
Impairment of receivables	(39)	(7)	(52)	(98)
Segment acquisitions:				
Acquisition of property, plant and equipment	72	29	367	468
Acquisition of investment property	46,472	-	-	46,472
Acquisition of intangibles	-	800	3	803
Acquisition of inventory	-	-	6,300	6,300

28. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2017 $	**30 June 2016 $**
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 – Ernst and Young Audit and review of financial statements	123,000	79,000
(ii) Audit and other assurance services –BDO Audit Pty Ltd [1] *Audit and review of financial statements*	-	72,475
	123,000	151,475

[1] Outgoing auditor

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29. PARENT ENTITY DISCLOSURES

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Information relating to Eureka Group Holdings Limited (parent entity):		
Results of the parent entity		
Profit/(loss) for the period	(1,334)	770
Other comprehensive income	-	-
Total comprehensive income for the year	(1,334)	770
Financial position of parent entity at year-end		
Current assets	81,633	77,370
Non-current assets	12,477	5,618
Total assets	94,110	82,989
Current liabilities	479	2,837
Non-current liabilities	43,816	32,397
Total liabilities	44,295	35,234
Share capital	94,253	90,858
Accumulated losses	(44,438)	(43,104)
Total equity	49,815	47,754

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of the commercial bills amounting to $6,486,250 and is secured by:

- Registered mortgages over 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 subsidiaries.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity, please see above.

Contractual commitments for capital items

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017.

30. SUBSEQUENT EVENTS

The Group has completed the acquisition of the 42 unit village in Gympie QLD on 19 July 2017, otherwise known as 'Freshwater Villas' for $3.8 million.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2017 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 2017

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 2017 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 2017.

On behalf of the Board

Robin Levison
Executive Chairman

Dated in Brisbane this 24th day of August, 2017

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eureka Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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Recognition and Valuation of Investment Properties

Why significant	How our audit addressed the key audit matter

Investment properties is a key audit matter due to the size of the recorded asset (30 June 2017: $100,666,000) and the degree of estimation and assumptions required to be made by the Group, specifically concerning classification and fair value.
 	
The Group assesses whether new acquisitions are classified as an asset (individual acquisitions of investment property assets) or business acquisitions. Each period end all assets are assessed to determine if they continue to meet the requirements under Australian Accounting Standards to be classified as investment property.
 	
All investment properties are recorded at their fair value. Fair values are determined each reporting period by reference to independent valuations or internal valuations with reference to current market conditions. Changes in fair value are recognised on the consolidated statement of profit and loss.
 	
Note 2 and 12 to the financial report discloses the investment property assets, and Note 21 discloses the assumptions used in valuing these assets.
	In obtaining sufficient and appropriate audit evidence, we:
	
	• Assessed all material additions to investment properties during the year and the Group's assessment as to whether these are classified as an asset or business acquisition. In doing so, we vouched material additions to contracts of purchase and settlement statements.
	• Evaluated the Group's assessment of each property that it continues to be classified as an investment property under Australian Accounting Standards with consideration as to how significant returns are derived from these assets.
	• On a sample basis we agreed investment properties to applicable title and other documents evidencing ownership.
	• Assessed the Group's fair value assessment of investment properties (where material). In doing so, we performed the following procedures with the involvement of our real estate valuation specialists:
	  ◦ Assessed the sustainable earnings for each property, including occupancy assumptions.
	  ◦ Considered the capitalisation rates for each property.
	  ◦ Assessed the independent valuations obtained by the Group including, the independence (in respect of external valuations) and competence of the valuers and the methodology of the valuations.
	• Conducted analysis of a sample of properties for comparable sales evidence.

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Impairment Testing of Intangible Assets

Why significant	How our audit addressed the key audit matter
Impairment testing of intangible assets is a key audit matter due to the size of the recorded asset ($6,327,000) and the degree of estimation and assumptions required to be made by the Group, specifically concerning future discounted cash flows. Note 14 to the financial report discloses the Group's intangible assets and the key assumptions used in testing these assets, including those used in the cash flow forecasts. We focused on the impairment assessment of goodwill and management and letting rights. The Group performs an annual impairment assessment of goodwill, while definite life intangible assets are assessed for indicators of impairment. Due to the range of judgments and assumptions used in the impairment models and impairment assessments, this was an area considered to be at risk of material misstatement.	In obtaining sufficient audit evidence in respect of the valuation of intangible assets, we: • Evaluated the Group's assessment of impairment indicators for management and letting rights. • Checked the mathematical accuracy of the cash flow forecasts and impairment model. • Considered the accuracy of the Group's historical cash flow forecasts. We agreed the forecasts to Board approved budgets and compared these forecasts to previously achieved results and any adjustments required for current trading and market activities. • Applied our knowledge of the business and corroborated our work with external information where possible, including multiples based on current sales activity for management and letting rights assets. • Assessed the key assumptions within the impairment model including the growth rate and discount rate. • Assessed the adequacy of the impairment tests disclosure included in Note 14 to the financial report.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Brad Tozer
Partner
Brisbane
24 August 2017

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Auditor's Independence Declaration to the Eureka Group Holdings Limited

As lead auditor for the audit of Eureka Group Holdings Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

Bradley Tozer

Brad Tozer
Partner
Brisbane
24 August 2017

Corporate Governance Statement

The Board has prepared a corporate governance statement that set outs the key corporate governance practices approved by the Board 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 other than where explicitly stated complies with ASX Corporate Governance Principles and Recommendations, 3rd Edition and is current as at **30 June 2017**.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in the statement Corporate Governance Statement, the Company's 2017 Annual Report and other relevance governance documents and materials on the Company's website, are provided in the corporate governance section of the Company's website at http://www.eurekagroupholdings.com.au/governance/. The Company's Corporate Governance Statement together with the ASX Appendix 4G and this Annual Report, were also lodged with the ASX on 24 August 2017.

Owing to the size of the Group and the transition necessary to grow and fund the business, the Board has three non-executive Directors with one Director who is independent. The independent Director is chairman of the two board committees and the committees are made up of non-executive Directors. Whilst this composition does not fully comply with its charter and ASX recommendations, the Board believes the experience and skill set of the non-executive Directors ensures both independent judgement and oversight of management is exercised by a majority of the Board.

The Board has also established the following charters that are available on the Company's website:

- Board Charter
- Audit & Risk Committee Charter
- Nomination & Remuneration Committee Charter
- Share Trading Policy
- Code of Conduct Policy

Corporate Directory

Postal Address
Suite 2D 7 Short St, Southport QLD 4215

Board of Directors
Robin Levison (Non - Executive Chairman)
Lachlan McIntosh
Nirmal Hansra

Chief Executive Officer
Jeff Weigh

Company Secretary
Oliver Schweizer

Solicitors
Romans & Romans Lawyers
609 Logan Rd,
Greenslopes QLD 4120
Tel: 07 3847 3333
Fax: 07 3847 3336

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

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

Share Registry
Link Market Services – Brisbane
Level 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 24 August 2017

Number of Securities	No of Shareholders
1 – 1,000	343
1,001 – 5,000	316
5,001 – 10,000	170
10,001 – 100,000	481
100,001 and over	200
Total Security Holders	**1,510**

Marketable Shares

There were 271 holders of less than a marketable parcel of 667 shares holding a total of 51,112 shares.

Voting Rights

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

Twenty Largest Ordinary Shareholders as at 24 August 2017	No of Ordinary Shares Held	% of Issued Share Capital
National Nominees Limited	40,148,968	17.48%
HSBC Custody Nominees (Australia) Limited	16,203,796	7.06%
J P Morgan Nominees Australia Limited	13,091,251	5.70%
Ignition Capital Pty Ltd	10,150,000	4.42%
Wavet Fund No 2 Pty Ltd	9,250,000	4.03%
NGE Capital Limited	8,840,949	3.85%
BNP Paribas Noms Pty Ltd	8,213,531	3.58%
Kathlac Pty Ltd	6,700,138	2.92%
22 Capital Pty Ltd	5,216,028	2.27%
Brazil Farming Pty Ltd	4,900,000	2.13%
Tolani Estate Pty Ltd	4,400,000	1.92%
Navigator Property Group	3,938,762	1.71%
One Managed Investment Funds Limited Folkestone Maxim A-Reit Securities Account	3,125,000	1.36%
Ignition Capital No 2 Pty Ltd	2,580,000	1.12%
Mr Alister Charles Wright	2,361,557	1.03%
Armada Trading Pty Ltd	2,318,937	1.01%
RBC Investor Services Australia Nominees Pty Ltd	2,266,973	0.99%
Richard Mews and Wee Khoon Mews	2,188,607	0.95%
TNWDG Pty Ltd	2,050,000	0.89%
G & P Investments (NSW) Pty Limited	1,770,000	0.77%
Total	149,714,497	65.19%

Securities in which Directors have a Relevant Interest at 24 August 2017	Ordinary Shares	Options
Robin Levison	12,905,000	-
Lachlan McIntosh	11,916,166	-
Nirmal Hansra	839,834	-
Total	25,661,000	-

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eureka GROUP HOLDINGS

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