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For immediate release to the market
Eureka Group Holdings Limited
ASX Code EGH
26 February 2018

Appendix 4D and FY18 Half-Year Financial Report

Executive Summary

- Eureka Group Holdings (EGH) has reported a loss of $0.1m for the six months ended 31 December 2017, adversely impacted by impairments to its three SRF properties in South Australia.
- While the overall result is unsatisfactory, the core business performed strongly, generating a 48% increase in EBITDA to $3.4m[1], prior to fair value adjustments and, in the prior year, significant items.
- The core result is in line with the half year forecast included in the profit guidance provided in November 2017 for an annual EBITDA of $7.5 to $8.5 million, before fair value adjustments and any profit from Terranora property sales.
- During calendar 2017, occupancy of company owned villages rose strongly from 83% to 92%.
- A capital management program is underway (with two properties already sold) to recycle low performing, non core assets and reinvest in higher yielding core assets.
- Existing agreements have been amended and an additional agreement entered into to strengthen Eureka's position in respect of $2.9m of Couran Cove debt, which is anticipated to accelerate repayment in full prior to 30 June 2018.
- Eureka continues to work through the full list of Council conditions for the Development Approval and strata titling of the Terranora project. It is now clear that such titles are unlikely to be issued in time for there to be any material impact on the financial results for the 2018 financial year.

For further information contact Paul Cochrane (CFO) Eureka Group Holdings Ltd on 07 5568 0205.

[1] EBITDA is a non IFRS measure and is not included in the financial report of the Group. It is an unaudited value.

Appendix 4D
Half Year Report
For the period ended
31 December 2017

Results for announcement to the market

Eureka Group Holdings Limited

ABN: 15 097 241 159	Previous corresponding period: 31 December 2016

Results for announcement to the market

				$A'000
Revenue from ordinary activities	Down	6%	to	$11,211
Earnings Before Interest Tax Depreciation and Amortisation	Down	82%	to	$1,340
Profit / (loss) from ordinary activities after tax attributable to members	Down	101%	to	($102)
Net Profit / (loss) for the period attributable to members	Down	101%	to	($102)

	Current Period		**Prior Period**
Interim dividends			
Ordinary dividend per share	Nil		Nil
Franked dividend	Nil		Nil
Total dividend distribution	Nil		Nil
Record date for determining entitlements to the dividends	N/A		N/A
Dividend reinvestment plan	N/A		N/A

	Current Period		**Prior Period**
Net tangible asset per security			
Net tangible assets backing per ordinary security – cents	29.94		30.09

Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A
	Current period $'000
Contribution of the controlled entity (or group of entities) to profit after tax from ordinary activities during the period, from the date of gaining control	N/A

Details of Associates or Joint Venture Entities

Name of Associates or Joint Venture Entities	N/A
Percentage of holding in Associates or Joint Venture Entities	N/A

Foreign Entities Accounting

For Foreign Entities provide details of which accounting standards have been adopted (e.g. International Accounting Standards)	N/A

Attachments forming part of Appendix 4D

1	Review of Operations
2	Half Year Financial Report
3	Independent Auditor's Review Report

Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements, the Corporations Regulations 2001 and other applicable ASX standards.

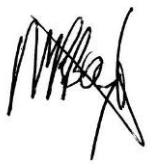
   No other standards have been used.

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This statement is based on accounts which have been subject to review.

5. The entity has a formally constituted audit committee.



Murray Boyte
Chair

Dated in Brisbane this 26th day of February 2018

FY18 HALF YEAR REVIEW

Eureka Group Holdings Limited (Eureka) has reported a loss of $0.1million (FY17 Profit of $6.3 million) for the six months ended 31 December 2017. The result was adversely affected by fair value adjustments and in the prior year significant items. While the overall result is unsatisfactory the core business performed strongly generating a 48% increase in EBITDA[1] to $3.4 million (FY17 $2.3million), prior to fair value adjustments and, in the prior year, significant items. A revenue increase of 7% from growth in occupancy and an additional 73 units, together with a 2.5% reduction in operating expenses contributed to the improved operating result.

The core result is in line with the half year forecast included in the profit guidance provided in early November 2017. At that time, market guidance was for an EBITDA (prior to asset revaluations) of $7.5 - $8.5 million for the FY2018 financial year, exclusive of any Terranora apartment sales. Further, the second half of the financial year is expected to be stronger than the first half reflecting a continuing improvement in occupancy and cost management. Net operating cash flow increased to $1.8million. (FY17 $1.1million)

Net Debt at 31 December 2017 has increased 12.8% to $52.1 million (2017 $46.2 million) to fund 3 new acquisitions during the period. Eureka remains in compliance with its banking covenants.

A summary of the result is tabled below.

Financial Summary

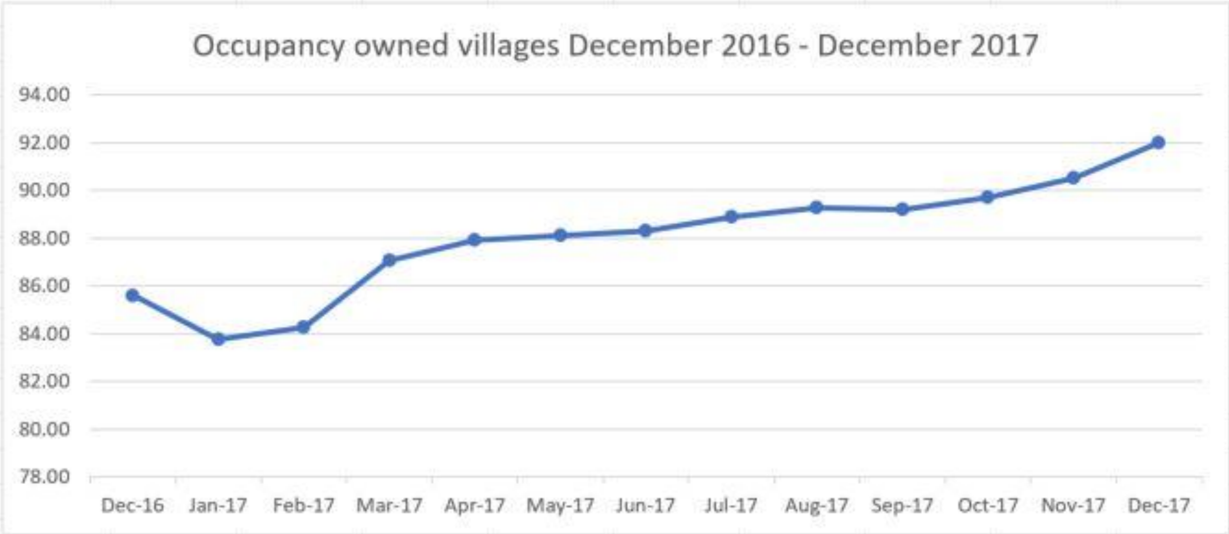
	31 December 2017 $million	**31 December 2016 $million**
Revenue	11.2	10.0
Other Items	-	0.4
Expenses	(7.8)	(8.1)
EBITDA (Excl fair value adjustments and significant items)	**3.4**	**2.3**
Significant Items		
Consulting Fees – Couran Cove	-	1.0
Other	-	0.9
EBITDA (Excl fair value adjustments)	**3.4**	**4.2**
Fair Value Adjustments	(2.1)	3.2
EBITDA	**1.3**	**7.4**
Interest Expense	(1.3)	(1.0)
Depreciation	(0.1)	(0.1)
Profit/(Loss) Before Tax	**(0.1)**	**6.3**

Prior year revenue included significant items of $1.9 million.

Occupancy

One of the major drivers of Eureka's performance in the first half of FY18 was solid growth in village occupancy. There has been a concerted effort across the village network to enhance and strengthen our relationships in each of our host communities.

[1] EBITDA is a non IFRS measure and is not included in the financial report of the Group. It is an unaudited value.



Fair Value Adjustments

During the period Eureka undertook fair value assessments of its villages including obtaining independent external valuations of three existing villages.

Whilst the independent valuations increased the book value, adverse fair value adjustments were made to investments in Supported Residential Facilities (SRFs) in South Australia.

Eureka had previously advised that the Supported Residential Facilities (SRF) in Adelaide and Mt Gambier, South Australia, have materially underperformed and were the subject of intensive review.

Amber Lodge

Amber Lodge has been sold for $2.2million with settlement expected in late March 2017. As a result of the sales price an impairment provision of $0.6 million was made.

Lambert Lodge

Lambert Lodge is an SRF located in Mt Gambier which is a regional centre with a challenging local economy. A concentrated effort has improved the financial performance of Lambert, but not sufficient to support its previous valuation. Eureka is currently evaluating a range of options for the Lambert property, including a sale. Given this asset is underperforming and the uncertainty around a sale price, based on market information, an impairment provision of $0.9 million has been taken.

Alexam Village

Alexam is located in suburban Adelaide and has a solid trading base as an SRF, but not at the level to support the previous book value. Its current configuration together with modest capital expenditure makes it suitable to meet the needs of the forthcoming NDIS program which shows a strong preference for a cluster housing style model rather than an institutional approach. There is an opportunity to grow the Alexam SRF business in line with the NDIS strategy. While we believe Alexam has potential to provide services under the proposed NDIS model, the revenue impact cannot be determined with certainty and given the current operating performance an impairment provision of $1.0 million has been made.

Capital Management

Eureka has embarked upon a program of capital recycling non core assets in accordance with previous advice to the market. The aim is to progressively move out of non-core, unproductive assets and reinvest in core assets going forward.

The property in Victoria Street, Mackay has been sold, subsequent to 31 December 2017, for $1.2 million and is due to settle in late March 2018.

As noted earlier, Amber Lodge (SRF) has been sold for $2.2million with settlement due in late March 2018.

Terranora

As previously reported, Eureka received Development Approval from Tweed Shire Council late last year for the subdivision and strata titling of existing apartments and land parcels at Terranora. This approval was subject to satisfaction of a range of conditions.

Since that time, Eureka has been working on satisfying the extensive list of conditions, including a driveway that has now been constructed through the main property. Certification of building compliance, not yet received, for each property is prerequisite to enable realisation of current contracted sales and accelerate other sale options.

In the market update of 2 November 2017, Eureka's expectation was that individual titles would be issued in the second half of this financial year. It is now clear that such titles are unlikely to be issued in time for there to be any material impact on the financial results for FY2018.

In the original Eureka plan for Terranora, there were three principal parcels of land:

- The Top Lot including the pool, central facility and potential development site;
- The Apartments site with 60 existing apartments to be sold;
- The Bottom Lot – a vacant 4.8-hectare residential development site.

As part of the Development Approval from Tweed Shire Council, the balance of the Top Lot (exclusive of the central facility building) is now required to be transferred to the Body Corporate as common property. Despite this, the Directors do not see the need to adjust the current book value of approximately $11 million for the Terranora project.

The sales and marketing campaign has generated 18 conditional sales. This is an encouraging start to the sale program. However, sales momentum will not be fully achieved until we are able to offer unconditional contracts with individual titles.

Couran Cove

An amount of $2.9 million is owing to Eureka by Couran Cove Island Resort Pty Ltd, which has been a subsidiary of Onterran Ltd since late 2016. Lachlan McIntosh, a Director of Eureka, is the Chair of Onterran Ltd.

Eureka is in the process of accelerating its exit from Couran Cove and has amended the existing agreement and entered into an additional agreement that strengthens Eureka's security position with full repayment anticipated prior to 30 June 2018.

The balance of Eureka assets at Couran Cove include:

- Ownership of 29 residential cabins at the resort – 26 Eco lodges and 3 Marine apartments;
- Options over 60 parcels of vacant land, titles yet to be issued, at the resort; and
- A 30% interest in the management rights of the resort in the event they are sold by the current owner by August 2020.

Real estate marketing activities for the 29 cabins at Couran Cove are underway. A display cabin and collateral material have been prepared. Early market response has been slow. The program is under careful and continuous review.

The Outlook for FY2018

The immediate priorities for Eureka are:

- A strong and continuing focus on service levels and improved asset management in Eureka's core business of low cost rental accommodation for retirees;
- An urgent commitment to accelerating the Capital Recycling program. In particular Couran Cove and Terranora which together form approximately 18% of Eureka's property assets and provide a minimal return. The realisation of proceeds from these assets for reinvestment in the retirement village model is essential to lifting returns;
- An acquisition strategy that expands and strengthens the coverage, cost efficiency and scale benefits of the Eureka village portfolio. Eureka continues to pursue actively and progress discussions on potential village acquisitions that complement its core business;
- Building on the existing excellent village portfolio that combines value accretion with social and community benefits in the retirement market; and
- Delivery of the reconfirmed full year EBITDA (excluding fair value adjustments) of $7.5 - $8.5million.

For further information contact Paul Cochrane (CFO) Eureka Group Holdings Ltd on 07 5568 0205.

Half Year Financial Report 2018

31 December 2017

eureka
GROUP HOLDINGS LTD

ABN: 15 097 241 159

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Directors' Report

The Directors present their report together with the financial statements of Eureka Group Holdings Limited (the "Company", "EGH" or "Eureka") and its controlled entities (the "Group" or the "Consolidated Entity") for the half-year ended 31 December 2017 (the "period") and the auditor's review report thereon. Unless otherwise noted, all amounts stated are expressed in Australian Dollars and have been rounded to the nearest $1,000.

DIRECTORS

The following persons were directors of EGH during the period and up to the date of this report, unless otherwise stated:

Murray Boyte – Non-Executive Director/Chair (appointed 24 November 2017)
Nirmal Hansra – Non-Executive Director
Robin Levison – Non-Executive Director/Chair (Chair until 24 November 2017)
Lachlan McIntosh – Non-Executive Director
Sue Renkin – Non-Executive Director (appointed 24 November 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

A detailed review of results and operations is included in the Review of Operations on page 4 of this report.

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

Performance Measure		**Consolidated six months**	
		31 Dec 2017 $'000	**31 Dec 2016 $'000**
Net profit/(loss)		(102)	6,289
Add back:	Interest	1,311	1,024
	Tax	-	-
	Depreciation	61	65
	Amortisation	70	60
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,340	7,438
Deduct:			
	Fair value adjustments	(2,135)	3,204
	Consulting fees charged to Couran Cove	-	1,000
	Other gains on non-rental items	-	835
EBITDA prior to fair value adjustments, consulting and other income		3,475	2,399

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period ended 31 December 2017 the Group acquired 3 seniors rental villages. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights. The villages and units acquired include:

- Freshwater Villas, Gympie for $4.0m in July 2017 – 42 units
- Gailiee Lodge, Townsville for $0.8m in August 2017 – 12 units
- Koinonia Village, Ayr for $1.0m in August 2017 – 18 units

Directors' Report

The purchase prices above are exclusive of applicable acquisition costs.

SUBSEQUENT EVENTS

The property in Victoria Street, Mackay has been sold, subsequent to 31 December 2017, for $1.2m and is due to settle in March 2018.

No other matter or circumstance has arisen since 31 December 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.

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

Murray Boyte
Chairman

Dated this 26th day of February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated six months ended	
		31 Dec 2017	31 Dec 2016
		$'000	$'000
Revenue		11,211	11,959
Other income	6	(2,024)	3,601
Expenses			
Village operating costs		(5,950)	(6,236)
Employee benefits expenses		(787)	(708)
Finance expense		(1,311)	(1,158)
Marketing expenses		(88)	(98)
Depreciation & amortisation expenses		(131)	(125)
Lease expenses		(58)	(55)
Other expenses		(964)	(891)
Profit/(loss) before income tax expense		(102)	6,289
Income tax expense		-	-
Profit/(loss) after income tax expense		(102)	6,289
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the half year, net of tax		-	-
Total comprehensive income/(loss) for the half year		(102)	6,289
Basic earnings per share (cents per share)		(0.04)	2.73
Diluted earnings per share (cents per share)		(0.04)	2.73

The above 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 31 DECEMBER 2017

	Note	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Current Assets			
Cash and cash equivalents		4,411	4,395
Trade and other receivables	7	3,079	2,632
Inventories		11,191	7,649
Other assets	8	1,557	1,623
Non-current assets held for sale	9	2,146	-
Loans receivable		72	76
Total current assets		22,456	16,375
Non-Current Assets			
Loans receivable		493	501
Other assets	8	3,000	3,000
Investment property	10	101,828	100,666
Property, plant and equipment		672	1,665
Intangible assets		6,004	6,327
Total non-current assets		111,997	112,159
Total Assets		134,453	128,534
Current Liabilities			
Trade and other payables		2,773	2,660
Other financial liabilities	12	422	1,554
Provisions		245	289
Total current liabilities		3,440	4,503
Non-current liabilities			
Other financial liabilities	12	56,103	49,019
Provisions		145	145
Total non-current liabilities		56,248	49,164
Total Liabilities		59,688	53,667
Net Assets		74,765	74,867
Equity			
Share capital	13	94,255	94,255
Accumulated losses		(19,490)	(19,388)
Total Equity		74,765	74,867

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated six months ended	
		31 Dec 2017 $'000	31 Dec 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers		11,536	10,448
Payments to suppliers & employees (1)		(8,491)	(8,344)
Interest received		4	28
Interest paid		(1,226)	(1,040)
Net Cash provided by/(used) in Operating Activities		1,823	1,092
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(11)	(369)
Payments for additions to investment properties		(7,445)	(10,112)
Proceeds from the sale of non-current assets held for sale		201	171
Payments made to sell non-current assets held for sale		-	(10)
Payments for loans provided		-	(713)
Repayments of loans provided		55	34
Repayment of residential obligation loans		(615)	-
Proceeds from sale of intangible assets		312	-
Payments for intangible assets		-	(60)
Net Cash provided by/(used) in Investing Activities		(7,503)	(11,059)
Cash Flows from Financing Activities			
Proceeds from borrowings		5,863	9,849
Repayment of borrowings		(109)	(904)
Payments of transaction costs related to borrowings		(58)	(213)
Proceeds from share issues		-	3,948
Payments for share issue costs		-	(236)
Net Cash provided by/(used in) Financing Activities		5,696	12,444
Net increase/(decrease) in cash and cash equivalents		16	2,477
Cash and cash equivalents at the beginning of the half year		4,395	6,841
Cash and cash equivalents at the end of the half year		4,411	9,318

(1) Included in cash payments made was an amount of $0.36 million for capital and other improvements to inventory held at Terranora to prepare the inventory for sale. A transfer from investment property to inventory occurred during the period, this is disclosed in Note 10.

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Share Capital $'000	Consolidated Accumulated Losses $'000	Total $'000
For the half-year ended 31 December 2017			
Balance at 1 July 2017	94,255	(19,388)	74,867
Profit/(loss) for the half year	-	(102)	(102)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the half year	-	(102)	(102)
Transactions with owners in their capacity as owners:			
Shares issued during the half year	-	-	-
Capital raising costs	-	-	-
Balance at 31 December 2017	94,255	(19,490)	74,765
For the half-year ended 31 December 2016			
Balance at 1 July 2016	90,860	(25,926)	64,934
Profit for the half year	-	6,289	6,289
Other comprehensive income	-	-	-
Total comprehensive income for the half year	-	6,289	6,289
Transactions with owners in their capacity as owners:			
Shares issued during the half year	3,948	-	3,948
Capital raising costs	(31)	-	(31)
Balance at 31 December 2016	94,777	(19,637)	75,140

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. BASIS OF PREPARATION OF THE FINANCIAL REPORTS

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 'Interim financial reporting' and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the Group's annual financial report for the full year ended 30 June 2017.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report with the exception of new amended standards and interpretations which have been applied as required.

(a) New, revised or amending Accounting Standards and Interpretations adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year financial statement. 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.

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.

(b) Comparative Information

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

(c) Significant accounting 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.

During the period ended 31 December 2017 there were no material changes in assumptions, judgements and estimates regarding goodwill, amortisation of management rights and non-recognition of deferred tax assets. Matters relating to these accounting matters are contained in the 30 June 2017 annual financial report.

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:

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.

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.

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.

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
   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.

2. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The property in Victoria Street, Mackay has been sold, subsequent to 31 December 2017, for $1.2m and is due to settle in March 2018.

No other matter or circumstance has arisen since 31 December 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.

3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or liabilities as at 31 December 2017.

4. DIVIDENDS

No dividends were paid or declared during the period.

5. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

For the period ended 31 December 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.

Notes to the Financial Statements

31 December 2017	Rental Villages $'000	Property Management $'000	Unallocated $'000	Total $'000
Revenue	9,231	1,980	-	11,211
Other income	(1,866)	-	(158)	(2,024)
Total Revenue	7,365	1,980	(158)	9,187
Expenses	(4,774)	(1,322)	(1,751)[1]	(7,847)
Depreciation and amortisation	(61)	(70)	-	(131)
Interest expense	(1,309)	-	(2)	(1,311)
Total expenses	(6,144)	(1,392)	(1,753)	(9,289)
Profit before income tax expense	1,221	588	(1,911)	(102)
Income tax expense	-	-	-	-
Profit after income tax expense	1,221	588	(1,911)	(102)
Segment Assets	103,909	6,063	24,481[2]	134,453
Segment Liabilities	59,302	72	314[3]	59,688

[1] Included within unallocated expenses is employee benefits expense of $0.93m, professional fees of $0.19m, office expenses $0.23m and other administrative expenses of $0.40m.

[2] Included within unallocated assets is inventory of $11.18m, trade and other receivables of $3.74m, Couran Cove land option $3.0m, non-current assets held for sale $2.15m and cash balances of $4.41m.

[3] Included within unallocated liabilities is other creditors of $0.06m, trade creditors of $0.09m and provisions of $0.16m.

31 December 2016	Rental Villages $'000	Property Management $'000	Unallocated $'000	Total $'000
Revenue	8,989	2,970	-	11,959
Other income	3,204	-	397	3,601
Total Revenue	12,193	2,970	397	15,560
Expenses	(5,031)	(1,352)	(1,605)[1]	(7,988)
Depreciation and amortisation	(57)	(60)	(8)	(125)
Interest expense	(1,108)	-	(50)	(1,158)
Total expenses	(6,196)	(1,412)	(1,663)	(9,271)
Profit before income tax expense	5,997	1,558	(1,266)	6,289
Income tax expense	-	-	-	-
Profit after income tax expense	5,997	1,558	(1,266)	6,289
Segment Assets	101,021	6,583	22,815[2]	130,419
Segment Liabilities	51,637	2,709	933[3]	55,279

[1] Included within unallocated expenses is employee benefits expense of $0.71m, professional fees of $0.31m and other administrative expenses of $0.56m.

[2] Included within unallocated assets is inventory of $7.07m, trade and other receivables of $1.87m, Couran Cove land option $3.0m and cash balances of $9.32m.

[3] Included within unallocated liabilities is accrued expenses of $0.44m, trade creditors of $0.30m and provisions of $0.15m.

6. OTHER INCOME

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Net (loss)/gain on revaluation of investment property and other assets to fair value	(2,135)	3,204
Interest	21	134
Other	90	263
	(2,024)	3,601

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Trade debtors	144	382
Other debtors	254	400
Provision for doubtful debts	(174)	(89)
Loans receivable (i)	2,855	1,939
	3,079	2,632

(i) This balance relates to amounts receivable from Couran Cove. The increase reflects the reclassification of amounts from Property, Plant and Equipment to loans receivable. Refer to note 8(i) for further detail.

8. OTHER ASSETS

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Current		
Property deposits	3	204
Prepayments and other assets (ii)	1,366	781
Bartercard (iii)	188	638
	1,557	1,623
Non-current		
Other (i)	3,000	3,000
	3,000	3,000

(i) Couran Cove is a resort on South Stradbroke Island. Ownership of Couran Cove consists of a group of companies that is 100% owned by Onterran Ltd (ASX:OTR). The Executive Chairman of Onterran Ltd is Lachlan McIntosh. Lachlan McIntosh is also a director of EGH. EGH has had transactions with Couran Cove over recent years and has a number of balance sheet items at 31 December 2017.

As at 31 December 2017, the following balances existed:

- Working capital loan receivable of $1.9m (interest bearing) owing from Couran Cove entities.
- Fixed asset loan receivable of $0.95m (non-interest bearing) owing from Couran Cove entities.
- Inventory of $2.8m comprising ownership of 29 cabins located at Couran Cove.
- Loan offset in exchange for options on land of $3.0m. Refer below.

On 9 February 2018, the Loan Agreement terms and conditions were modified in formal loan documentation, including a repayment schedule which addressed both the working capital loan and fixed asset loan. According to the terms of the loans, the balance receivable is scheduled to be repaid in full prior to 30 June 2018. Repayment of the combined loans of $2.9m will be partly in Bartercard dollars of $0.5m (consistent with the method of purchase of the fixed assets) and the balance of $2.4m in cash.

The Group has acquired by way of a call option an equitable interest in land at Couran Cove. The option was acquired as at 31 December 2016 for $3.0 million and the nature of the asset is an Other non-current asset which is measured at cost. The option expires on August 2020. 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 option is exercisable individually for up to 60 lots during the option period. At August 2020, for any lots for which an option has not been exercised, the Group will receive a settlement in cash from Couran Cove. Settlement will be $50,000 for each unexercised lot.

The Group has also been granted an entitlement right to 30% of the proceeds of the sale of certain Couran Cove management and infrastructure rights, if sold by August 2020 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 by August 2020, the Group's entitlement to receive 30% of the sale proceeds expires.

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

(iii) Bartercard is an alternative currency and operates as a trade exchange. Bartercard is a subsidiary of ASX listed BPS Technologies Ltd. It operates the world's largest trade exchange, transacting $600 million across its platform in 9 countries with 50,000 members*. EGH has utilised Bartercard over recent years. At 31 December 2017, the Bartercard balance is $0.18m, which is recorded at cost. In addition, amounts of Bartercard have been advanced to suppliers in exchange for future supply of goods. These are recorded at the fair value of goods to be received and are disclosed in other assets $0.5m and Investment Properties $0.75m. EGH intends to utilise Barter in ongoing expenditure and receive barter from loan repayments from Couran Cove ($0.5m) and part proceeds from sales of Terranora units already contracted.

*BPS Technologies Ltd 2017 Annual Report.

9. NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
	31 Dec 2017 $'000	**30 June 2017 $'000**
Current		
Non-current assets held for sale	2,146	-
	2,146	-

An unconditional contract for the sale of Amber Lodge in Morphetville was signed and executed on 13 December 2017 for $2.2m. In accordance with the terms of the contract, settlement is due 90 days from the date of its execution.

10. INVESTMENT PROPERTY

	Consolidated	
	31 Dec 2017 $'000	**30 June 2017 $'000**
Balance at beginning of reporting period	100,666	86,472
Acquisitions	6,181	9,029
Disposals	(210)	(171)
Subsequent expenditure	1,966	4,290
Transfer to inventory – Couran Cove Cabins	(2,747)	-
Transfer to Non-current assets held for sale	(2,146)	-
Net increment/(decrement) due to fair value adjustment	(1,882)	1,046
Balance at end of reporting period	101,828	100,666

The investments consist of twenty seven retirement village assets along with associated manager's units and other rental units. The Group considers its investments reside in one class of asset – Seniors Rental Villages.

For some investments held at 31 December 2017, independent valuations were received during the current period. Certain acquired investments in the half year to 31 December 2017 have been independently valued. At 31 December 2017, the Group undertook a review of the fair value of all investment properties held based on inputs and assumptions disclosed in Note 14.

Amounts recognised in profit or loss for investment properties:

	Consolidated 31 Dec 2017 $'000	**Consolidated 31 Dec 2016 $'000**
Rental income	7,726	8,059
Direct operating expenses generating rental income	(4,774)	(5,031)
Net (loss)/gain revaluation of investment property to fair value	(1,882)	3,204

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 12.

11. SHARE BASED PAYMENTS

During the period ended 31 December 2017 the following equity instruments were issued:

Long term incentives

The Company introduced a new long term incentive plan granting share rights to eligible participants, which commenced from 23 November 2017.

Each share right will rank equally in all respects with all existing shares from date of issue, subject to the terms and conditions of the rules of the plan. Rights were issued at face value having regard to the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results.

A total of 878,465 share rights were issued during this period. The share rights are divisible into two traches of equal value, both tranches being subject to the company's shares achieving a total shareholder return compared to the constituents of All Ordinaries Small Cap index excluding companies in the materials, industrials, energy and utilities sectors. An allocation of share rights equal to 45% of total fixed remuneration has been allocated to the CEO and 35% to the CFO. Tranche 1 and Tranche 2 will be tested following the announcement of the company's result for the year ending 30 June 2020 and 2021 respectively using a 10 day VWAP. The share rights progressively vest over 3 and 4 years.

Options

A total of 1,500,000 share options were granted during the period to the CEO and CFO. The options were granted for a 5 year period and are exercisable from 23 November 2021. The exercise price is $0.33 representing the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results. These options will be capable of vesting 3 years from the grant date subject to the share price being at 75c or greater on 10 trading days in any 20 sequential trading days following the grant date. While the share price hurdle may be met, these options can only be exercised upon completion of 4 year employment service.

12. OTHER FINANCIAL LIABILITIES

		Consolidated	
		31 Dec 2017 $'000	**30 June 2017 $'000**
Current			
Commercial bills – secured	(a)	-	1,538
Motor vehicle loan		3	8
Insurance funding		414	-
Finance lease		5	8
		422	1,554
Non-current			
Commercial bills – secured	(a)	56,103	49,018
Finance lease		-	1
Motor vehicle loan		-	-
		56,103	49,019

(a) As at 31 December 2017, the Group has access to the following facilities:

National Australia Bank ("NAB"):

NAB borrowings comprises of two facilities:

- Facility 1 – maximum limit of $20,000,000. Interest rates vary for each loan component within the facility limit. Expires 31 December 2019.
- Facility 2 – maximum limit of $35,000,000. Interest rates vary for each loan component within the facility limit. Expires 31 December 2021.

At 31 December 2017, total drawings on the facility were $54,955,250. Fixed interest rates vary between 4.85% to 4.97%. Floating interest rates vary between 3.99% to 4.51%.

Westpac Banking Corporation ("Westpac"):

- Commercial bill – secured fully drawn limit of $1,762,500. Expires on 29 November 2019. Interest is payable at a variable rate on this facility (currently 5.08%).

The commercial bill liabilities are secured against a certain amount of the Group's investment property asset. The total amount of security provided at 31 December 2017 was $101,827,547. This value represents the fair value of assets pledged based on the carrying values recorded by the Group at 31 December 2017.

Commercial bill facilities are subject to covenants which are commensurate with normal secured lending terms. All covenants were in compliance at 31 December 2017.

13. 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			
	31 Dec 2017 Number	**31 Dec 2017 $'000**	**30 June 2017 Number**	**30 June 2017 $'000**
Balance at start of period	229,671,923	94,255	225,784,473	90,860
Shares issued at $0.75 for cash	-	-	5,263,400	3,948
Shares bought back during the period	-	-	(1,375,950)	(523)
Capital raising costs	-	-	-	(30)
On issue at end of the year	229,671,923	94,255	229,671,923	94,255

14. FAIR VALUE

All assets of the Group are recorded at cost, except for investment property and other non-current assets which are recorded at fair value. All liabilities, except for provisions and retirement village resident loans, are recorded at amortised cost using the effective interest rate method. The fair value of loan receivable are not materially different to their carrying amount, since the interest receivable is either close to current market rates or the instrument is short-term in nature.

The Directors believe at 31 December 2017 the carrying value of all assets and liabilities approximates their fair values.

There have been no movements in the classification between categories of Level 1, 2 and 3 assets and liabilities at fair value. Investment property continues to be the only level three asset recorded. Movements in these assets are shown in Note 10.

All fair value measurements are categorised as Level 3 in the fair value hierarchy.

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 and is disclosed in the table below. Future income projections take into account occupancy, rental income and operating expenses. At balance date occupancy rates based on individual property long term sustainable occupancy and income has been forecast based on actual current rental income rates per occupant and current operating cost levels.

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 percentage of the length of expected residence term. Although the expected average residency term is between one to ten years, these obligations are classified as current liabilities, as required by the Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date. The liability 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.

Notes to the Financial Statements

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

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable input to fair value
Investment properties – Retirement Villages	Capitalisation method	Capitalisation rate	6.5%-12% (9.95%)	Capitalisation has an inverse relationship to valuation.
		Stabilised occupancy	83%-100% (93%)	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.
Other non-current assets – refer Note 10	Director's valuation	Comparable sales and property market evidence. For more detail refer to Note 10.	NA	Comparable sales evidence has a direct relationship to valuation.

Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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

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 31 December 2017 and of its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Board

Murray Boyte
Chair

Dated this 26th day of February 2018

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

As lead auditor for the review of Eureka Group Holdings Limited for the half-year ended 31 December 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 review; and

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

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

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
26 February 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Eureka Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Brad Tozer
Partner
Brisbane
26 February 2018

Corporate Directory

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Murray Boyte (Non - Executive Chair)
Nirmal Hansra
Robin Levison
Lachlan McIntosh
Sue Renkin

Chief Executive Officer
Jeff Weigh

Company Secretary
Paul Cochrane

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