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For immediate release to the market

Eureka Group Holdings Limited

ASX Code EGH

27 February 2017

#### **Appendix 4D and Half-Year Financial Report**

Eureka Group Holdings Limited (“Eureka”) is pleased to submit its Appendix 4D and Half Year Financial Report for period ended 31 December 2016. Some of Eureka’s key highlights are summarised below and are more fully detailed in the attached Half Year Financial Report:

- Total income for the six months ended 31 December 2016 was up 64.4% to \$15.56 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) for six months ended 31 December 2016 was up 70.9% to \$7.44 million.
- Net profit after tax for the six months ended 31 December 2016 was up 72.2% to \$6.29 million.
- EPS for the six months ended 31 December 2016 was up 44.4% to 2.73 cents per share.
- \$3.20 million investment property fair value gain.
- Total assets at 31 December 2016 were up 17.2% to \$130.42 million.
- \$10.08 million spent on acquiring new low cost accommodation assets and improving existing assets in the six months to 31 December 2016.
- Eureka at the date of this report owns 1,388 units comprising 26 villages, whilst managing a total of 2,069 units.
- Eureka continues to strengthen its balance sheet.
- Eureka exits Couran Cove Infrastructure Management role but retains Retirement Villages assets.
- Terranora re-engineering project close to fruition and associated cash generation.
- 4-6 village acquisitions expected to be completed by 30 June 2017.

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

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Appendix 4D  
Half Year Report  
For the period ended  
31 December 2016

Results for announcement to the market

<b>Eureka Group Holdings Limited</b>
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ABN: 15 097 241 159
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Previous corresponding period 31 December 2015
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Results for announcement to the market

				\$A'000
Revenue from ordinary activities	Up	53%	to	\$11,959
Earnings Before Interest Tax Depreciation and Amortisation	Up	71%	to	\$7,438
Profit from ordinary activities after tax attributable to members	Up	72%	to	\$6,289
Net Profit for the period attributable to members	Up	72%	to	\$6,289

**Current Period                      Prior Period**

<b>Interim dividends</b>			
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**

<b>Net tangible asset per security</b>			
Net tangible assets backing per ordinary security – dollars	30.09		19.46

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**Details of Entities Over Which Control Has Been Gained or Lost**

*Control gained over entities*

Name of entity (or group of entities)	Refer to note 14 in the attached Half Year Financial Report
Date control gained	Refer to note 14 in the attached Half Year Financial Report
	<b>Current period \$'000</b>
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
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**Attachments forming part of Appendix 4D**

1	Chairman's Review Interim Report
2	Half Year Financial Report
3	Independent Auditor's Review Report

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**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.



**Robin Levison**  
Chairman

Dated in Brisbane this 27th day of February, 2017

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## EGH – CHAIRMAN’S REVIEW INTERIM REPORT

### Continued Market Growth pushes Eureka’s Interim NPAT higher to \$6.29 million.

#### Results Overview

Increased operating scale flowing from the continued successful execution of Eureka Group Holdings Limited's (Eureka) “buy and build” strategy, have resulted in Australia’s largest provider of seniors’ rental accommodation posting NPAT of \$6.29 million for the six months to 31 December 2016, a 72.3% rise over the corresponding period (2015: \$3.65 million).

The acquisition of 483 new freehold units since 31 December 2015, helped boost total income higher to \$15.56 million, up from \$9.47 million in the prior corresponding period.

Eureka's growing regional footprint in Queensland, New South Wales, Victoria and South Australia, which now has the company owning 26 seniors’ villages and managing a total portfolio of 2,069 units, resulted in group EBITDA increasing to \$7.44 million, compared to \$4.35 million in the first half of FY 2016. Earnings per ordinary share rose from 1.89 cents for the six months to December 2015 to 2.73 cents in the period under review.

The ongoing build-up of Eureka’s freehold “bricks and mortar” asset base continues to positively impact on the company’s balance sheet with total assets climbing to \$130.42 million, up from \$85.61 million as at 31 December 2015. Additions to Eureka’s freehold asset base and several property revaluations completed during the first half of FY 2017, resulted in the value of investment property held increasing to \$99.6 million, compared to \$68.16 million in the prior corresponding period.

Eureka has now reached critical scale mass and resulting cost efficiencies which, together, are consistently delivering a strong and sustainable revenue to cash conversion rate, with cash reserves up nearly 30% from the first half of FY 2016 to total \$9.3 million as at 31 December 2016.

Backed by a strong balance sheet, the increasing liquidity of cash reserves and accessible unused funding facilities at the group’s disposal, Eureka is firmly positioned to accelerate the pace of its “buy and build” strategy in the remainder of FY 2017.

Whilst the above results show overall improvement, the half year outcome is below the expectation of the Eureka Board and Management Team. Eureka expended a material sum of time and money on due diligence on a number of potential acquisitions that did not complete, either for reasons of failing the due diligence process or vendor difficulties. Positively however, in reviewing the current opportunities under due diligence, the group expects to acquire between 4 to 6 assets suitable for low cost rental retirement accommodation before 30 June 2017.

Eureka also spent significant time, effort and money assisting with the improvement of Couran Cove, in particular the resourcing of the Infrastructure and Management Contract role for the overall resort. After consideration, the company has concluded it will not remain involved in the overall Infrastructure and Management of Couran Cove and concentrate on the growth of its retirement village assets. As a result, the group has monetised its accrued interests of \$3.0 million (the majority of which was accrued in the prior period) by securing a 3 year option to acquire 60 blocks of land that allow for the build out of further seniors’ rental accommodation which add scale to those previously purchased. Should Eureka not acquire all 60 development blocks it is able to opt for a cash pay-out at the end of the period.

#### Senior Management and Board Strengthened

In an initiative which substantially strengthens the depth and capability of the group’s senior executive ranks, Eureka appointed Mr Jeff Weigh as the group’s Chief Executive Officer (CEO) in early February 2017.



The Board reviewed a number of high-calibre applications for this new, pivotal position and ultimately selected Mr Weigh based on his proven track record of successfully building and growing profitable enterprises and his specific experience in strategically managing high-level property ventures. The Board is confident Mr Weigh has the specific skills, vision and enthusiasm to lift Eureka onto its next level growth pathway.

Mr Weigh holds a Master of Economic Studies from the University of Queensland and completed the Executive Hotel Management course from Cornell University in the USA. He has over 15 years experience in heading growth-oriented property operations including as CEO of South Bank Corporation for four years until September 2016. Over this time he was responsible for all operational and strategic decision-making across the Corporation's \$700 million asset base, including South Bank Parklands, as well as the Brisbane Convention and Exhibition Centre, 70 retail tenants and an 850-bay underground car park. During his tenure, Mr Weigh planned and implemented several key restructuring and operational initiatives which more than doubled the Corporations' EBITDA, significantly increased cash reserves and reduced debt from \$35 million to \$nil. His capacity to negotiate and execute high-level property transactions was evidenced by the key role he played in finalising a successful outcome for the \$600 million Southpoint project now under construction, and which is widely recognised as the most complex property deal in Brisbane in a decade.

Mr Weigh was also Queensland Operations Manager of I-Med, part of the DCA Group Ltd that became an ASX 200 company specialising in medical imaging and aged care.

His extensive property background also includes 10 years as Managing Director of Fortland Hotels and Resorts, which managed 3 to 4 star regional hotels and eco-lodges and which were ultimately sold to Accor Asia Pacific. Mr Weigh is also currently a Non-Executive Director of the Port of Brisbane Pty Ltd.

Due to Mr Weigh's appointment, Executive Chairman Robin Levison has resumed his previous duties as Non-Executive Chairman.

The appointment of a suitably qualified CEO for Eureka was a decision taken by the Board after due consideration of the significant rise in operational scale and profitability achieved by Eureka over the past two years and the vigorous growth planned for the group over coming years.

Based on Eureka's current financial strength and the well mapped expansion strategy now in place, the Board is confident that Mr Weigh as CEO will play a pivotal part in elevating the group onto a new level of sustainable and profitable growth.

Given the additional senior management capability Mr Weigh's appointment brings to Eureka, Executive Directors Mr Greg Rekers and Mr Kerry Potter, in February 2017, announced it was an appropriate time to resign from the board in order to pursue other private property interests. Since their appointment to the Board in April 2012, both men have played an instrumental role in Eureka's progression to Australia's largest ASX listed provider of affordable seniors' accommodation, and the Board thanks them for the substantial contribution they made to the group's success over this period.

The Board believes the appointment of a new CEO and Mr Levison's return to Non-Executive status more clearly aligns Eureka's corporate governance and senior management structure with ASX best practice guidelines and is now at a level that better reflects the group's status as an All Ordinaries listed entity.

### **Increasing Portfolio Scale and Value**

Since 1 July 2016 several new properties were acquired to further strengthen Eureka's dominant market position for affordable seniors' rental accommodation in regional Australia. The acquisitions completed to date in FY 2017 have resulted in Eureka now owning 26 villages comprising 1,388 units and managing a total portfolio of 35 villages containing 2,069 units, with an additional 4 villages currently under advanced due diligence.



Significantly, two of the new villages acquired were subject to “stress” sales, enabling the group to acquire what are fundamentally strong assets at well below replacement value. The acquisitions made to date in FY 2017 under a continuation of the successful “buy and build” strategy include:

- Orange, New South Wales

The Albert Street Gardens 55-unit village was acquired in August 2016 for \$5.11 million. Orange has a strong ageing population demographic with 20% of the 40,000 residents aged over 65, which is reflected in the village’s long term, historic occupancy rate of 92%. This strongly performing property is expected to generate annual EBITDA of \$720,000.

- Broken Hill, New South Wales

This transaction represents considerable value for Eureka, with \$1.05 million paid to the Broken Hill Council for a new 42-unit village containing a community centre, separate office building and large commercial kitchen. Although the property was acquired in a fully vacant state, Eureka has rapidly achieved a substantial upgrading of the asset’s value by capitalising on the town’s ageing demographic, with over 20% of residents being retirees, to fully populate the village. At the time of this report the property retains not only nil vacancy, but has a waiting list of 15 potential new tenants and is currently delivering a greater than 20% EBITDA return to the Group.

- Mackay, Queensland

The acquisition of a 38-unit village containing dining and communal areas, along with a large commercial kitchen, consolidates the group’s already strong presence in North Queensland. While the acquisition price of \$1.16 million reflects the fact the village was in receivership when purchased, Eureka is confident of capitalising on Mackay’s historically low seniors’ vacancy level to boost its EBITDA return rate and once settled is confident the asset will meet the companies targeted EBITDA returns based on the acquisition price.

In December 2016, Eureka also signed a conditional contract to acquire a 51-unit village located in a growing regional centre in South East Queensland, which has a strong aged demographic profile. Unfortunately, the vendor could not meet Eureka’s settlement conditions and the group subsequently withdrew from the contract. However, negotiations are continuing with the vendor and Eureka remains hopeful of completing the acquisition at a later date.

The acquisitions made to date in FY 2017, whilst below the group’s normal run-rate, still continue to underpin Eureka’s core strategy of creating localised operational scale and associated cost efficiencies through continually growing the size of village clusters focused on key regional hubs. At the time of this report, they bring the group’s market penetration to 361 units in North Queensland, 214 units in Central Queensland, 591 units in South East Queensland/Northern New South Wales, 588 units in South Australia and 315 units in the Victoria/New South Wales border area.

While the continued expansion of Eureka’s property portfolio generates an increasing and recurring earnings base, just as importantly, it also has an equally positive impact on the group’s balance sheet and underlying financial strength. The group undertakes yearly independent valuations of one third of the villages owned to ensure the book value of freehold properties held accurately reflects their improved trading performance.

Indicative of the trading improvements achieved by management are the relatively recent revaluations of Eureka’s villages at Mackay, Cairns and Shepparton, which resulted in their book values increasing 24%, 49% and 58% respectively since acquisition date.



### **Terranora Poised for \$14 million Cash Flow**

Despite a longer than anticipated statutory approval process, the planned major re-engineering of the group's flagship Terranora property near the New South Wales/Queensland border is now poised to deliver a substantial cash flow in the order of \$14 million.

Under the first phase of the re-engineering of this property, which enjoys elevated views over the Tweed Valley, the nearly 7 hectare site will be subdivided into three separate titles, 80 of the existing units on site renovated and reconfigured into 61 individually strata titled units for sale, and the management rights for the units sold to be retained by Eureka.

As at the date of this report, the subdivision and strata title plans are still to be approved by the Tweed Shire Council, but following a highly successful marketing campaign approximately 50% of the units on offer have been contracted by purchasers for a gross contract value of around \$8 million. Based on progress to date, cash returns from these sales will commence by the end of FY 2017, and the Board is confident that based on the enquiry level and demand generated by the marketing campaign, the targeted \$14 million in sales will be achieved, representing a minimum \$7 million net return based on the \$7 million initial acquisition cost of the entire property.

As previously disclosed, Eureka anticipates an annualised EBITDA of \$250,000 to be generated via retention of the management rights over the units sold.

Eureka also intends to sell a 3.5 hectare parcel of the remaining 6.5 hectares of land, and based on its elevated position, views up and down the coast of the border region and proximity to the ocean and Gold Coast Airport, is confident of securing in excess of the lands \$1.26 million Book Value.

Dependent on ruling market conditions, Eureka plans in due course to reinvest up to \$10 million of the funds generated by the unit and land sales in developing a "next generation" seniors' village containing around 125 x 39m<sup>2</sup> rental units on the remaining 2.5 hectare parcel. It is estimated the new Terranora village would deliver EBITDA of around \$2 million annually.

### **Eureka Wins Global Accolade**

In November 2016, Eureka had the great distinction of being named the world's Most Outstanding Over 50s Rental Housing Management Group at The Global's, the most prestigious Seniors Housing and Care Awards in the world.

At the same ceremony in London, Eureka's Non-Executive Chairman Mr Robin Levison was also judged the Most Outstanding Rental Housing Leader in the world for 2016. The significance of these achievements is reinforced by the fact that a total of only 22 presentations were made at the 2016 ceremony, with the judging panel electing to not make any award in 58 categories. As such, Eureka joins a select band of winners originating from the UK, Germany, USA, Canada, Singapore, Thailand, Malaysia, Australia, and New Zealand.

Both these awards reinforce the fact that Eureka's business model represents an international benchmark for industry best practice and recognises the discernible social value the group collectively delivers to all of its residents. Just as importantly, from an operational perspective, Eureka also delivers a measurable competitive advantage through increasing the group's profile as well as providing a marked differentiator for its market offer to potential village residents.

On a more local level, it was equally heartening, when in September 2016, Eureka's Rockhampton village management team of Kevin and Mika Humphreys were awarded the Property Council Queensland Manager of the Year Award (MOTY). The MOTY is awarded annually in recognition of the village manager, staff and residents who in concert achieve the ultimate goal of a successful, happy and harmonious village.





## **Blue Care Alliance Expands**

The milestone “in home care” partnership forged with the Uniting Church’s Blue Care in June 2016 has to date been a resounding success and has already delivered substantial benefits to residents of Eureka’s Tivoli Gardens (Ipswich) village, the agreed location for an 8-week partnership pilot programme.

Under the pilot, 29 residents sought Blue Care’s advice with 19 as a result now receiving additional government-funded ongoing care services.

In September 2016, a social engagement group and a clinic were established onsite, both of which are accessible to Eureka residents and Blue Care clients.

Following the positive outcome, an enlarged final trial began progressively rolling out at Eureka’s Bundaberg, Mackay and Rockhampton villages, broadening the potential outreach of Blue Care Services to over 200 residents. With government-funded “in home care” transitioning to consumer directed care in February 2017, Eureka residents will have a vested interest in utilising Blue Care’s service offerings which undoubtedly enhance the lifestyle quality enjoyed by them.

It is worth noting that neither Eureka’s low-cost rental retirement model or “in home care” service packages have been affected by the recent government changes to ACFI, the Aged Care industry funding model.

Successful completion of the enlarged pilot programmes will see Blue Care services and support rolled out in all Eureka’s remaining Queensland villages over the next 12 months, opening their care packages to around 2000 residents. Blue Care has an unrivalled reputation as a leading and compassionate not-for-profit provider of aged care services and support. With increased numbers of residents expected to seek Blue Care’s government-funded services, residence in Eureka’s villages will become an increasingly attractive option, thereby increasing average resident tenure, attracting new retirees to company villages and ultimately increasing group profitability.

Both Eureka and Blue Care share a common vision of providing an affordable, safe and supportive living environment for Australian seniors who enter retirement with extremely limited financial resources.

## **Outlook**

Australia’s well documented aging population and the exponentially escalating demand by retirees for centrally located and well serviced affordable rental accommodation, remain the strong tailwinds propelling both Eureka’s immediate and longer term growth.

The Australian Bureau of Statistics (ABS) forecast that Australians aged over 65 will increase to 4.2 million by 2020, and in the following 30 years will more than double to 8.8 million by 2050.

According to respected property group Knight Frank, the forecast growth in those aged over 65 will result in an additional 31,035 new independent living units being added to existing stock in Australia’s cities alone by 2020.

Eureka’s successful business model and market offer exclusively caters to the 65 plus sector of the population who due to financial circumstances, will enter retirement primarily relying on the full age pension as their primary income source. With 77% of single Australians in this age category now dependant on pension support as their primary income, and the number of large retirement service providers increasingly focusing on costlier market offers, demand for affordable housing options which require no upfront capital payment is set to heighten dramatically.

Over the past two years Eureka has consolidated its back office infrastructure and operational efficiencies; a highly experienced senior management capability and an underlying financial strength. As a result, the group is now positioned and resourced to achieve new levels of robust growth and the medium term goal of owning and/or managing 5,000 units.



As outlined in previous company reports, the national aged accommodation sector remains highly fragmented and unincorporated offering a virtually unlimited acquisition horizon for Eureka. Of the approximate 2,270 aged accommodation facilities in Australia, under 3% are managed by corporate entities, with a vast bulk of centres owned and managed by owner operators, single strata title structures and not-for-profit groups.

Eureka currently holds a broader pipeline of 200 potential acquisition targets identified and initially researched, with 4 villages now under advanced due diligence. Based on material at hand, the group is targeting to complete between 8 and 12 new acquisitions during the remainder of calendar year 2017.

While Eureka remains committed to accelerating its aggressive acquisition strategy, supplementary growth will also be achieved by:

- selective organic growth via the development of new units on existing vacant land holdings, such as planned at the Terranora project;
- continuing margin growth through measured rental rises, occupancy increases and back office economies of scale;
- extending the Blue Care government-funded “in home care” services to enhance village amenity and appeal, extend tenure and occupancy, and ultimately profitability.

It is worth highlighting that despite changes to the Federal Government’s aged care funding policy, which has impacted on some residents of higher socio-economic villages, all Eureka residents will continue to receive their previous pension and rental assistance payments from the government, which, in turn, are used to directly pay Eureka’s rental and cost fees.

Based on the positive progress made to date on growing critical scale mass, generating group-wide efficiencies and securing a sustainable earnings platform, the Board will consider the feasibility of commencing dividend payouts at some stage over the next 18 months. Any final decision on declaring a future dividend will, however, be dependent on maintenance of a strong trading performance and utilisation of carried forward tax losses.

The Board is confident that an acceleration of the group’s “buy and build” growth strategy over the remainder of FY 2017 will result in another full year of record profitability and enhanced value for all shareholders.

A handwritten signature in blue ink, appearing to read "Robin", is positioned above the name and title of the signatory.

**Robin Levison**  
Non-Executive Chairman

# Half Year Financial Report 2016

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31 December 2016



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CONTENTS	PAGE
Directors' Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Cash Flows	16
Consolidated Statement of Changes in Equity	17
Notes to the Financial Statements	18
Directors' Declaration	27
Auditor's Independence Declaration	28
Independent Auditor's Report	29
Corporate Directory	31

# 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 2016 (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:

Robin Levison – Non-Executive Director/Chair  
 Lachlan McIntosh – Non-Executive Director  
 Nirmal Hansra – Non-Executive Director  
 Greg Rekers Executive Director – Resigned on 8 February 2017  
 Kerry Potter Executive Director – Resigned on 8 February 2017

## PRINCIPAL ACTIVITIES

The principal activities of EGH include:

- Providing specialist property asset management through property ownership and management rights;
- 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 Chairman's Review Interim Report 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 2016	31 Dec 2015
	\$'000	\$'000
Net profit	6,289	3,652
Add back: Interest	1,024	573
Tax	-	-
Depreciation	65	43
Amortisation	60	85
Earnings before interest, tax, depreciation and amortisation (EBITDA)	7,438	4,353

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 2016 the Group acquired 2 seniors rental villages and a number of units within other senior 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:

- 10 Wyatt Street Mt Gambier for \$0.35m in August 2016 – 4 room residential building
- Albert Street Gardens Village Orange for \$5.11m in September 2016 – 55 units
- Gladstone Village, Gladstone for \$0.05m in September 2016 – 1 unit
- Moores Pocket Tivoli for \$0.32m in November 2016 – 10 units
- Shorty O'Neil Village Broken Hill for \$1.05m in December 2016 – 42 units

# Directors' Report

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The purchase prices above are exclusive of applicable acquisition costs.

During the period ended 31 December 2016, the Group divested its manager's unit at Slacks Creek for \$0.17m.

## SUBSEQUENT EVENTS

With the appointment of Mr. Jeff Weigh as Chief Executive Officer of the Group effective from 7 February 2017, Mr. Greg Rekers and Mr. Kerry Potter, Executive Directors of Eureka, considered it an appropriate time to offer notice of their resignation from Eureka, to pursue other projects.

Mr. Rekers and Mr. Potter were appointed to the board of directors of Eureka on 18 April 2012. Since that time, they have played an instrumental role in Eureka's growth and success and leave at a time when the group has posted record profitability in the 2016 financial year, generated substantial shareholder wealth and delivered discernable social value through what is now Australia's largest ASX listed provider of affordable seniors rental accommodation.

Mr. Rekers and Mr. Potter remain Directors of Navigator Property Group Pty. Ltd, a consultancy specialising in the areas of property development and project marketing, and intend to pursue a range of private property development projects following their resignation from Eureka. Mr. Rekers and Mr. Potter were paid termination and other entitlements accrued in accordance with the termination provisions of their agreements with the Group.

Other than the above mentioned items, no matter or circumstance has arisen since 31 December 2016 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 28.



**Robin Levison**  
Chairman

Dated this 27th day of February 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated six months ended	
		31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue		11,959	7,792
Other income	7	3,601	1,674
<b>Expenses</b>			
Village operating costs		(6,236)	(3,776)
Impairment – trade receivables		-	(37)
Employee benefits expenses		(708)	(491)
Finance expense		(1,158)	(697)
Marketing expenses		(98)	(117)
Depreciation & amortisation expenses		(125)	(129)
Lease expenses		(55)	(92)
Other expenses		(891)	(475)
<b>Profit before income tax expense</b>		<b>6,289</b>	<b>3,652</b>
Income tax expense		-	-
<b>Profit after income tax expense</b>		<b>6,289</b>	<b>3,652</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
<b>Other comprehensive income for the half year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the half year</b>		<b>6,289</b>	<b>3,652</b>
Basic earnings per share (cents per share)		2.73	1.89
Diluted earnings per share (cents per share)		2.73	1.89

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 2016

	Note	Consolidated	
		31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		9,318	6,841
Trade and other receivables	8	1,713	3,434
Inventories		7,106	6,300
Other assets	10	755	819
Loans receivable		78	66
<b>Total current assets</b>		<b>18,970</b>	<b>17,460</b>
<b>Non-Current Assets</b>			
Loans receivable		513	539
Other receivables	9	992	-
Other assets	10	3,000	-
Investment property	11	99,589	86,472
Property, plant and equipment		1,736	1,232
Intangible assets		5,619	5,620
<b>Total non-current assets</b>		<b>111,449</b>	<b>93,863</b>
<b>Total Assets</b>		<b>130,419</b>	<b>111,323</b>
<b>Current Liabilities</b>			
Trade and other payables		3,605	3,688
Other financial liabilities	12	2,272	5,123
Provisions		232	144
<b>Total current liabilities</b>		<b>6,109</b>	<b>8,955</b>
<b>Non-current liabilities</b>			
Other financial liabilities	12	49,085	37,393
Provisions		85	41
<b>Total non-current liabilities</b>		<b>49,170</b>	<b>37,434</b>
<b>Total Liabilities</b>		<b>55,279</b>	<b>46,389</b>
<b>Net Assets</b>		<b>75,140</b>	<b>64,934</b>
<b>Equity</b>			
Share capital	13	94,777	90,860
Accumulated losses		(19,637)	(25,926)
<b>Total Equity</b>		<b>75,140</b>	<b>64,934</b>

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  
2016

	Note	Consolidated six months ended	
		31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers (2)		10,448	7,088
Payments to suppliers & employees (1)		(8,344)	(4,446)
Interest received		28	23
Interest paid		(1,040)	(619)
Net Cash provided by/(used) in Operating Activities (2)		1,092	2,046
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(369)	(109)
Payments for and additions to investment properties (2)		(10,112)	(21,458)
Proceeds from the sale of non-current assets held for sale		171	-
Payments made to sell non-current assets held for sale		(10)	-
Payments for loans provided		(713)	(930)
Repayments of loans provided (2)		34	128
Payments for intangible assets		(60)	(805)
Net Cash provided by/(used) in Investing Activities (2)		(11,059)	(23,174)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		9,849	13,375
Repayment of borrowings		(904)	(261)
Payments of transaction costs related to borrowings		(213)	(40)
Proceeds from share issues		3,948	10,400
Payments for share issue costs		(236)	(486)
Net Cash provided by/(used in) Financing Activities		12,444	22,988
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,477	1,860
Cash and cash equivalents at the beginning of the half year		6,841	5,154
<b>Cash and cash equivalents at the end of the half year</b>		9,318	7,014

(1) Included in cash payments made was an amount of \$0.81 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 period ended 31 December 2016 for \$3 million. Refer to 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  
2016

	Share Capital \$'000	Consolidated Accumulated Losses \$'000	Total \$'000
<b>For the half-year ended 31 December 2016</b>			
Balance at 1 July 2016	90,860	(25,926)	64,934
Profit for the half year	-	6,289	6,289
Other comprehensive income	-	-	-
<b>Total comprehensive income for the half year</b>	-	6,289	6,289
<i>Transactions with owners in their capacity as owners:</i>			
Share issued during the half year	3,948	-	3,948
Capital raising costs	(31)	-	(31)
<b>Balance at 31 December 2016</b>	<b>94,777</b>	<b>(19,637)</b>	<b>75,140</b>
<b>For the half-year ended 31 December 2015</b>			
Balance at 1 July 2015	68,248	(36,393)	31,855
Profit for the half year	-	3,652	3,652
Other comprehensive income	-	-	-
<b>Total comprehensive income for the half year</b>	-	3,652	3,652
<i>Transactions with owners in their capacity as owners:</i>			
Shares issued during the half year	11,420	-	11,420
Capital raising costs	(517)	-	(517)
<b>Balance at 31 December 2015</b>	<b>79,151</b>	<b>(32,741)</b>	<b>46,410</b>

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

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 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 2016.

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

There are no new and revised accounting requirements significantly affecting the half-year financial statements.

### (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 2016 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 2016 annual financial report.

During the period ended 31 December 2016 the Group has acquired additional investment property. Significant matters of judgement, estimation and assumptions related to these investment properties are described below.

#### *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 the statement of profit and loss. Investment property that has not been valued by external valuers at reporting date is carried at Director's estimate of fair value in accordance with the accounting policy.

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 2. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

With the appointment of Mr. Jeff Weigh as Chief Executive Officer of the Group effective from 7 February 2017, Mr. Greg Rekers and Mr. Kerry Potter, Executive Directors of Eureka, considered it an appropriate time to offer notice of their resignation from Eureka, to pursue other projects.

Mr. Rekers and Mr. Potter were appointed to the board of directors of Eureka on 18 April 2012. Since that time, they have played an instrumental role in Eureka's growth and success and leave at a time when the group has posted record profitability in the 2016 financial year, generated substantial shareholder wealth and delivered discernable social value through what is now Australia's largest ASX listed provider of affordable seniors rental accommodation.

Mr. Rekers and Mr. Potter remain Directors of Navigator Property Group Pty. Ltd, a consultancy specialising in the areas of property development and project marketing, and intend to pursue a range of private property development projects following their resignation from Eureka. Mr. Rekers and Mr. Potter were paid termination and other entitlements accrued in accordance with the termination provisions of their agreements with the Group.

Other than the above mentioned items, no matter or circumstance has arisen since 31 December 2016 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 2016.

## 4. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were the following significant related party transactions in the period:

- The capital raising fee of \$206,250 outstanding to Ignition Equity Partners Pty Ltd (an entity associated with Robin Levison) at 30 June 2016 was paid during the period.
- Navigator Property Group Pty Ltd, an entity associated with Greg Rekers and Kerry Potter, received consulting fees of \$252,996 on commercial terms and a bonus payment of \$253,000.

The Company continues to:

- Manage units on behalf of entities associated with Lachlan McIntosh in Griffith Scenic Village and Gladstone Scenic Village. Management of these units is on commercial terms.
- Rent office premises from an entity associated with Greg Rekers on commercial terms (lease terminates 10<sup>th</sup> March 2017).

## 5. DIVIDENDS

No dividends were paid or declared during the period.

## 6. OPERATING SEGMENTS

*Identification of reportable operating segments and principal services*

For the period ended 31 December 2016, 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

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

after tax. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<b>31 December 2016</b>				
Revenue	8,989	2,970	-	11,959
Other income	3,204	-	397	3,601
<b>Total Revenue</b>	<b>12,193</b>	<b>2,970</b>	<b>397</b>	<b>15,560</b>
Expenses	(5,031)	(1,352)	(1,605) <sup>1</sup>	(7,988)
Depreciation and amortisation	(57)	(60)	(8)	(125)
Interest expense	(1,108)	-	(50)	(1,158)
<b>Total expenses</b>	<b>(6,196)</b>	<b>(1,412)</b>	<b>(1,663)</b>	<b>(9,271)</b>
Profit before income tax expense	5,997	1,558	(1,266)	6,289
Income tax expense	-	-	-	-
<b>Profit after income tax expense</b>	<b>5,997</b>	<b>1,558</b>	<b>(1,266)</b>	<b>6,289</b>
Segment Assets	104,021	6,583	19,815 <sup>2</sup>	130,419
Segment Liabilities	51,637	2,709	933 <sup>3</sup>	55,279

<sup>1</sup> Included within unallocated expenses is employee benefits expense of \$0.71m, professional fees of \$0.31m and other administrative expenses of \$0.56m.

<sup>2</sup> Included within unallocated assets is inventory of \$7.07m, trade and other receivables of \$1.87m, cash balances of \$9.32m.

<sup>3</sup> Included within unallocated liabilities is accrued expenses of \$0.44m, trade creditors of \$0.30m and provisions of \$0.15m.

	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<b>31 December 2015</b>				
Revenue	5,274	2,518	-	7,792
Other income	564	478	632	1,674
<b>Total Revenue</b>	<b>5,838</b>	<b>2,996</b>	<b>632</b>	<b>9,466</b>
Expenses	(2,384)	(1,552)	(1,052)	(4,988)
Depreciation and amortisation	-	(129)	-	(129)
Interest expense	(540)	(58)	(99)	(697)
<b>Total expenses</b>	<b>(2,924)</b>	<b>(1,739)</b>	<b>(1,151)</b>	<b>(5,814)</b>
Profit before income tax expense	2,914	1,257	(519)	3,652
Income tax expense	-	-	-	-
<b>Profit after income tax expense</b>	<b>2,914</b>	<b>1,257</b>	<b>(519)</b>	<b>3,652</b>
Segment Assets	69,721	7,067	8,821 <sup>1</sup>	85,609
Segment Liabilities	36,089	2,705	405	39,199

<sup>1</sup> Included within unallocated assets is trade and other receivables of \$1.77m and cash balances of \$7.01m.

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 7. OTHER INCOME

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
(Loss)/Gain on sale of management rights	(10)	478
Net gain revaluation of investment property to fair value	3,204	547
Interest	134	124
Other	273	525
	<u>3,601</u>	<u>1,674</u>

## 8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2016 \$'000	30 June 2016 \$'000
Trade debtors (i)	933	2,102
Other debtors	373	354
Provision for doubtful debts	(84)	(98)
Financing extended (i)	491	1,076
	<u>1,713</u>	<u>3,434</u>

(i) Refer to Note 10 – amounts previously classified as trade debtors and financing extended were transferred to other non-current assets upon execution of the agreement disclosed in Note 10 between the Group and the parties to these amounts. The amount transferred was \$3 million at 31 December 2016.

With the exception of the above, the terms and conditions with respect to trade and other receivables have not changed since 30 June 2016.

Amounts remaining in financing extended incur interest at 28% to 72% p.a. and are due to be received within 12 months. The amounts advanced are secured over assets of the third party.

## 9. OTHER RECEIVABLES

	Consolidated	
	31 Dec 2016 \$'000	30 June 2016 \$'000
Financing extended (i)	992	-
	<u>992</u>	<u>-</u>

(i) Amounts included in non-current financing extended bear the same terms and conditions as the amounts disclosed in Note 8. These amounts however will not be received for between 1 and 2 years from 31 December 2016.

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 10. OTHER ASSETS

	Consolidated	
	31 Dec 2016 \$'000	30 June 2016 \$'000
<b>Current</b>		
Property deposits	143	4
Prepayments	575	194
Capital replacement funds	37	621
	<u>755</u>	<u>819</u>
<b>Non-current</b>		
Other (i)	3,000	-
	<u>3,000</u>	<u>-</u>

(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 28 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 has been acquired on 31 December 2016 for \$3.0 million. At 31 December 2016 the directors have valued the asset held at \$3.0 million based on independent advice received in relation to the value of the land concerned.

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 8. 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 not placed any significant 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.

## 11. INVESTMENT PROPERTY

	Consolidated	
	31 Dec 2016 \$'000	30 June 2016 \$'000
Balance at beginning of reporting period	86,472	39,689
Acquisitions and capital additions	10,084	49,013
Disposals	(171)	-
Transfer to inventory	-	(6,271)

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Net gain revaluation of investment property to fair value	3,204	4,041
Balance at end of reporting period	99,589	86,472

The Group's investment properties are shown individually in the table below. The investments consist of twenty five 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.

For some investments held at 30 June 2016, independent valuations have been received during the current period. Certain acquired investments in the half year to 31 December 2016 have been independently valued for lending purposes. At 31 December 2016 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 15.

The financial performance of the Seniors Rental Village Assets presented as follows:

	<b>Consolidated 31 Dec 2016 \$'000</b>	<b>Consolidated 31 Dec 2015 \$'000</b>
Rental income	8,059	4,811
Direct operating expenses	(5,031)	(2,384)
Net gain revaluation of investment property to fair value	3,204	547

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.

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying value 31 Dec 16 \$'000	Carrying value 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	1,320	1,320
Broken Hill Village	Broken Hill NSW	Dec-16	1,383	-
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	4,818	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	267	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	267	280
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,771	4,687
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	252	252
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	4,835	4,536
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	3,900	3,900
Rockhampton Village 1	Frenchville QLD	Oct-15	3,266	2,831
Rockhampton Village 2	Frenchville QLD	Dec-15	5,506	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	291	291
97 144 Main South Road Hackham	Hackham SA	May-15	291	291
33 Mardross Court Lavington	Lavington VIC	Jun-15	3,450	3,450
Lismore Village	Lismore NSW	May-15	4,422	4,264
Cascade Gardens Mackay	Mackay QLD	Apr-14	7,897	7,511



# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

43 Macdonnell Court Margate	Margate QLD	Jun-16	3,900	2,789
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	3,353	3,100
Lambert Village	Mt Gambier SA	Sept-15	2,337	2,311
10 Wyatt Street	Mt Gambier SA	Aug-16	350	-
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	4,002	4,296
Amber Lodge	Morphettville SA	Jun-16	5,025	4,475
Albert Street Gardens Village	Orange NSW	Sept-16	5,307	-
Alexam Place	Salisbury East SA	Feb-16	4,479	4,600
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	3,411	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	2,715	1,975
Lot 8,9,20,21&22 56A Moores Pocket Road Tivoli	Tivoli QLD	Mar-15	400	80
Myall Place Retirement Village	Whyalla SA	Jan-15	4,118	4,164
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,106	5,098
			<u>99,589</u>	<u>86,472</u>

## 12. OTHER FINANCIAL LIABILITIES

		<b>Consolidated</b>	
		<b>31 Dec 2016</b>	<b>30 June 2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Commercial bills – secured	(a)	2,104	5,087
Motor vehicle loan		11	16
Insurance funding		149	12
Finance lease		8	8
		<u>2,272</u>	<u>5,123</u>
<b>Non-current</b>			
Commercial bills – secured	(a)	49,074	37,374
Finance lease		5	9
Motor vehicle loan		6	10
		<u>49,085</u>	<u>37,393</u>

(a) As at 31 December 2016, the Group has access to the following 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. Expires on 31 December 2018. Interest rates vary for each loan component within the facility limit.
- Facility 2 – maximum limit of \$35,000,000. Expires on 31 December 2021. Interest rates vary for each loan component within the facility limit.

At 31 December 2016, total drawings on the facility were \$49,455,250. Fixed interest rates vary between 4.42% to 4.99%. Floating interest rates vary between 4.08% to 4.37%.

Westpac Banking Corporation (“Westpac”):

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

- Commercial bill – secured fully drawn limit of \$2,100,000. 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%).

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 2016 was \$102,588,643. This value represents the fair value of assets pledged based on the carrying values recorded by the Group at 31 December 2016.

Commercial bill facilities are subject to covenants which are commensurate with normal secured lending terms. All covenants were in compliance at 31 December 2016.

## 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 2016 Number	31 Dec 2016 \$'000	30 June 2016 Number	30 June 2016 \$'000
Balance at start of period	225,784,473	90,860	188,099,927	68,248
Shares issued at \$0.54 for cash	-	-	19,259,260	10,400
Shares issued at \$0.58 for acquisition of villages <sup>1</sup>	-	-	1,758,620	1,020
Shares issued at \$0.75 for cash	5,263,400	3,947	16,666,666	12,500
Capital raising costs	-	(30)	-	(1,308)
On issue at end of the year	231,047,873	94,777	225,784,473	90,860

<sup>1</sup> These shares were issued as part of the non-cash consideration paid to acquire Rockham Two Pty Ltd and Rockham Two Unit Trust.

## 14. NEW ENTITIES

The following entities have been incorporated during the period and are 100% wholly owned by Eureka Group Holdings Limited:

- Eureka Cascade Gardens (Albert Gardens) Pty Ltd (incorporated 28/10/2016)
- Eureka Cascade Gardens (Ayr) Pty Ltd (incorporated 12/12/2016)
- Eureka Cascade Gardens (Broken Hill) Pty Ltd (incorporated 09/08/2016)
- Eureka Cascade Gardens (Gladstone) Pty Ltd (incorporated 09/08/2016)
- Eureka Cascade Gardens (Tivoli) Pty Ltd (incorporated 09/08/2016)
- Eureka Cascade Gardens (Townsville) Pty Ltd (incorporated 12/12/2016)
- Eureka Whitsunday Pty Ltd (incorporated 12/09/2016)

## 15. 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 2016 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.

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 between (50% and 100% have been used) 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 % 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)	Relationship of unobservable input to fair value
Investment properties – Retirement Villages	Capitalisation method	Capitalisation rate	9.75%-14% (12%)	Capitalisation has an inverse relationship to valuation.
		Stabilised occupancy	67%-98% (90%)	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 2016

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 31 December 2016 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



**Robin Levison**  
Chairman

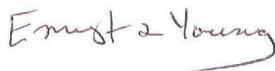
Dated this 27th day of February 2017

## 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 2016, 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



Brad Tozer  
Partner  
27 February 2017

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To the members of Eureka Group Holdings Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eureka Group Holdings Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### 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* and for such internal controls as the directors determine are 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, we have become aware of any matter that makes us 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 consolidated entity's financial position as at 31 December 2016 and its 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 Eureka Group Holdings Limited and the entities it controlled during the half-year, 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.

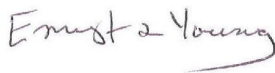
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.


## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eureka Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Brad Tozer  
Partner  
Brisbane  
27 February 2017

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# Corporate Directory

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## Postal Address

21 Meron Street, 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