

**EUMUNDI GROUP LIMITED** ABN 30 010 947 476  
**Annual report – 30 June 2018**

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## Chairman's message

I am pleased to report to shareholders a statutory net profit after tax of \$3,900,000 for the 2018 financial year representing earnings per share of 10.62 cents.

Total comprehensive income for the year was \$4,352,000, with significant gains on fair value adjustment of land, buildings and investment property assets. The appetite for property assets has continued to strengthen with further yield compression and continued low interest rates.

The Board is pleased to report that at an operating level, excluding net gains on fair value adjustment of land, buildings and investment properties, the Group's net profit after tax increased by a healthy 17% to \$1,647,000 compared with \$1,408,000 in the previous corresponding period.

The net tangible asset backing per share as at 30 June 2018 of 103.5 cents was up from 97.2 cents in the prior year.

In November 2017, the Group acquired the 96 year head lease on the land and buildings of The Plough Inn, one of Brisbane's iconic hotels for \$13,100,000 plus acquisition costs. Located in the premiere tourist and leisure precinct, Southbank Parklands, the premises are leased to an experienced hotel operator on a long-term, triple net lease with all costs, including those of a capital nature, borne by the lessee. Since acquisition the lessee has invested in a substantial redecoration of the premises. The current year's result includes eight months' investment property revenue from The Plough Inn.

As anticipated, net revenues from Aspley Shopping Centre and Aspley Arcade Shopping Village were down on the prior year with a higher level of vacancy pending the planned refurbishment of these centres. During the year, leasing activities were focused on retaining existing tenants, targeting preferred new uses, and reconfiguration options for the properties to generate long term returns. Leasing of vacancies has been postponed pending refurbishment which will allow for better returns.

Design and planning for the refurbishment is now well advanced, with construction contracts due to be put to tender within a few weeks. Architects, Myers Ellyett, were engaged to deliver a contemporary site upgrade, ensuring the properties would stand apart from the local competition, creating a viable, attractive destination food and services precinct. Westpac has confirmed its intent to enter into a new lease in the refurbished centres.

Specialist consultants and engineers have been engaged and construction is expected to take place during the second and third quarters of FY2019 for a total estimated cost of \$3.5 million. Leasing specialists are finalising the campaign which will run parallel with construction.

Aspley Central Tavern revenues were affected by the vacancy levels in the centres pending refurbishment. However, growth in bar and gaming revenues was achieved in the second half of FY2018. Recent approval of extended gaming trading hours at the tavern has improved the trading position since May 2018. Management's focus during FY2018 on reducing controllable expenses in line with turnover resulted in improved contributions from the tavern. Post refurbishment and with a hopeful but optimistic view of filling vacancies in the centre, management looks to a considerable upturn in patronage for the Tavern.

Ashmore Tavern gaming revenues were consistent with the prior period. Ongoing investment in gaming fleet upgrades, combined with our emphasis on customer service, ensured the venue remained one of the best on the Gold Coast. The venue also benefited from the investments made by the Group in the upgrade of furniture, gaming equipment, lighting and landscaping works.

Bar and Bistro sales at Ashmore Tavern improved during the year with continued focus on live entertainment and sporting events. These efforts have been reflected in strong Sunday trading performance.

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Retail liquor sales from the Ashmore Tavern remained broadly in line with the prior year, with a stronger margin attributable to improved product mix and buying strategy maintaining gross profit. Renegotiation of rental arrangements at the detached bottle shops is expected to improve the contribution from retail liquor in future periods.

The Group's cash flows remain strong, with cash flow from operations in the 2018 financial year of \$2,982,000 (2017 \$1,718,000). Net debt increased from \$6,927,000 as at 30 June 2017 to \$20,604,000 at balance date, after including borrowing for acquisition of The Plough Inn (\$13,910,000 inclusive of costs), representing a conservative gearing ratio (net debt to total equity) of 53.4%. This gearing allows the company to negotiate favourable interest rates with our lender.

The board actively continues to identify and assess investment opportunities as presented within the prevailing market. The Group maintains its strong financial capacity to take advantage of suitable opportunities should they arise.

Shareholders received fully franked dividends of 5.50 cents per share during the year - a fully franked final 2017 dividend of 3.25 cents per share and a fully franked interim 2018 dividend of 2.25 cents per share. The board has declared an increased fully franked final 2018 dividend of 3.30 cents per share payable on 17 September 2018.

In summary, the Group's hotel operations performed well, operating cash flows remained strong, a significant asset was acquired and net tangible assets per share continued to grow. While the Group's results will continue to be affected in the short term, the initiatives implemented by the board should result in improved leasing outcomes. The board remains focused on improving the performance of the Aspley centres and achieving their substantial long term potential.

The Board would like to thank all involved, as the team achieved the results. They include all working for the company in their various roles with special mention and thanks to our CEO Suzanne Jacobi-Lee, to our Company secretary Leni Stanley, our auditors, Pitcher Partners and the Ashmore and Aspley staff and management. Last but not least, our very supportive shareholders.



JM Ganim  
Chairman

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## Corporate directory

### Directors

Joseph Michael Ganim  
*Non-executive Chairman*

Gilbert De Luca

Vernon Alan Wills

### Chief Executive Officer

Suzanne Marie Jacobi-Lee

### Company secretary

Leni Pia Stanley

### Notice of annual general meeting

The annual general meeting of Eumundi Group Limited will be held:

**at** HopgoodGanim Lawyers  
Level 7, 1 Eagle Street  
Brisbane Qld 4000

**time** 11:00am

**date** Friday 23<sup>rd</sup> November 2018

### Principal registered office in Australia

c/- HopgoodGanim Lawyers  
Level 8, 1 Eagle Street  
Brisbane Qld 4000  
Telephone: (07) 3024 0000

### Principal place of business

Level 15, 10 Market Street  
Brisbane Qld 4000  
Telephone: (07) 3229 7222  
Facsimile: (07) 3211 8222

### Share registry

c/- Computershare Registry Services Pty Limited  
Level 1, 200 Mary St  
Brisbane Qld 4000  
Telephone 1300 552 270

### Auditor

Pitcher Partners  
Level 38, Central Plaza One  
345 Queen Street  
Brisbane Qld 4000

### Solicitors

HopgoodGanim Lawyers  
Level 8, 1 Eagle Street  
Brisbane Qld 4000

### Bankers

National Australia Bank  
255 Adelaide Street  
Brisbane Qld 4000

### Stock exchange listing

Eumundi Group Limited shares are listed on the Australian Securities Exchange (ASX code: EBG)

### Web site address

[www.eumundigroup.com.au](http://www.eumundigroup.com.au)

## Directors' report

Your directors present their report on the consolidated entity (referred hereafter as the group) consisting of Eumundi Group Limited and its controlled entities for the year ended 30 June 2018.

### 1. Directors

The following persons were directors of Eumundi Group Limited during the whole of the year and up to the date of this report (unless otherwise stated):

J M Ganim  
G De Luca  
V A Wills

### 2. Principal activities

During the year the principal activities of the group consisted of:

- (a) the operation of the Ashmore and Aspley Central Taverns; and
- (b) the holding of investment properties.

### 3. Dividends

On 27 February 2018 the board declared a fully franked interim dividend of \$827,000 (2.25 cents per share) which was paid to shareholders on 12 March 2018 (2017: \$827,000 (2.25 cents per share)).

The board has declared a fully franked final dividend of \$1,211,000 (3.30 cents per share) (2017: \$1,194,000 (3.25 cents per share)) which will be paid to shareholders on 17 September 2018.

### 4. Review of operations

During the year ended 30 June 2018, the Company:

- acquired the 96 year head lease of The Plough Inn, at Southbank, Brisbane, for \$13,100,000 plus acquisition costs. The Plough Inn is a low-risk passive investment which is subject to a long-term sub-lease with an experienced hotel operator;
- renegotiated commercial debt facilities on favourable terms of three to five years, increasing approved facilities by \$14,000,000 to fund The Plough Inn acquisition and provide increased working capital for planned capital works; and
- progressed conceptual design and planning works for the redevelopment of the Aspley Shopping Centre, Aspley Arcade Shopping Village and Ashmore Tavern.

### Financial Results

Eumundi Group Limited recorded a profit after tax of \$3,900,000 for the year ended 30 June 2018 (2017: \$1,464,000).

The current year profit includes a net fair value increment on revaluation of investment properties of \$3,218,000 (2017: \$80,000) attributable to the Aspley Arcade Shopping Village offset by a slight decrement on The Plough Inn.

Revenue from continuing operations of \$24,782,000 represents an increase of 2.3% compared with \$24,232,000 for the prior year.

Investment property revenues increased by \$508,000 from \$2,771,000 in 2017 to \$3,279,000 in the current year due predominantly to the acquisition of The Plough Inn in November 2017, offsetting higher vacancy rates at the Aspley centres. Outgoings on investment properties decreased from \$780,000 in 2017 to \$601,000 in the current year due to significant repair and maintenance in the prior year. Depreciation increased by \$172,000 to \$1,193,000 for the year, largely attributable to the increased land and buildings asset base following the revaluation of the Aspley Shopping Centre property in December 2016.

Overall, the investment property segment results increased from \$1,648,000 in 2017 to \$2,272,000 (up 37.9%).

Hotel segment revenues increased slightly from \$21,854,000 in 2017 to \$21,919,000 in the current year. Gaming revenue increased by \$223,000 from \$8,390,000 in 2017 to \$8,613,000 in the current year with ongoing gaming fleet upgrades at both venues. Bar and bistro revenues increased slightly to \$3,337,000 from \$3,285,000 in the prior period with a 3% improvement in gross profit. Retail liquor revenues decreased by \$493,000 (4.9%) to \$9,571,000 compared with \$10,065,000 in the prior year.

Employee benefits expense decreased from \$4,019,000 in 2017 to \$3,986,000 in the current year. Electricity costs decreased from \$307,000 in 2017 to \$282,000 in the current year following the renegotiation of contracts. Gaming machine taxes increased from \$4,118,000 in 2017 to \$4,276,000 in the current year in line with increased gaming revenues. Other expenses, which increased from \$987,000 last year to \$1,018,000 in 2018, include professional fees for determination of market rents for the groups retail liquor outlets and provision for make-good of a retail liquor outlet on termination of the lease.

**4. Review of operations (continued)**

Overall, the hotel segment result of \$1,511,000 was a decrease of \$46,000 (3%) compared with the prior year's result of \$1,557,000.

Financing costs were \$654,000 in 2018 compared with \$322,000 in the previous year due to increased borrowings to acquire The Plough Inn.

Other comprehensive income net of tax of \$452,000 in 2018 related to the net fair value revaluations of land and buildings at Aspley Shopping Centre and the Ashmore Tavern. This compared with a revaluation uplift of \$3,739,000 in the previous corresponding period relating to the Aspley Shopping Centre.

**Financial Position**

Net assets at 30 June 2018 were \$38,553,000 representing a \$2,332,000 increase or 6.4% from \$36,221,000 at 30 June 2017.

Cash inflows from operations of \$2,982,000 in the current year were \$1,264,000 above the prior period mainly as a result of investment revenue from The Plough Inn in the current year and insurance payment timing in the prior year.

Total borrowings increased by \$13,822,000 from \$7,765,000 to \$21,587,000 at 30 June 2018 inclusive of funds borrowed to acquire The Plough Inn.

Net debt (interest bearing debt less cash and cash equivalents) of \$20,604,000 at 30 June 2018 (2017: \$6,927,000) following the acquisition of The Plough Inn resulted in net debt to equity ratio of 53.4% (2017: 19.1%).

Net tangible asset backing was 103.5 cents per share as at 30 June 2018 (2017: 97.2 cents per share).

**5. Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the group during the financial year other than as disclosed elsewhere in this report.

**6. Matters subsequent to the end of the financial year**

Subsequent to 30 June 2018, the company has:-

- entered into contracts totalling \$491,000 for the replacement of roofing and air-conditioning equipment at the Aspley Shopping Centre and Aspley Arcade Shopping Villages. This work commenced in August 2018 and is nearing completion;
- entered into contracts totalling \$85,000 for engineering and consulting services for the refurbishment of the Aspley Shopping Centre and Aspley Arcade Shopping Village. Design works are at an advanced stage.

Other than the matters referred to above, and the proposed final dividend in respect of the year ended 30 June 2018 (refer section 3 of this directors' report), there are no other matters or circumstances that have arisen since 30 June 2018 that have significantly affected, or may significantly affect, the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

**7. Likely developments and expected results of operations**

The group will continue to focus on improving existing assets and maintaining prudent debt levels, while assessing other investment opportunities that may exist in the current market where such investments will improve the group's asset portfolio.

**8. Environmental regulation**

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

## 9. Information on directors

### Joseph Michael Ganim – Non-executive chairman

Mr Ganim, who joined the board as a non-executive director in 1989, founded HopgoodGanim a leading Commercial law firm of over 300 personnel with offices in Brisbane, Perth and a representative office in Shanghai, and headed the Commercial Dispute Resolution and Litigation practice until his retirement from partnership in 2009. He continues to work with the firm as a Consultant.

With over 40 years' experience in the corporate and litigation areas conducting complex corporate and commercial matters involving international and national corporations, he has acted in the Supreme Court of Queensland, the Federal Court of Australia and the High Court of Australia, as well as appearing before various Tribunals and Inquiries. Mr Ganim is also a Supreme Court Approved Mediator, a Notary Public and a Commissioner for Affidavits. Mr Ganim served for a number of years as a member of the Litigation Reform Commission, Court Administration and Resource Division, chaired by a Supreme Court judge which reviewed all facets of court and litigation practice.

He has extensive public company board experience and, in addition to his role as chairman of Eumundi Group, Mr Ganim also advises and sits on the boards of seven private companies, including as a board representative executor of deceased estates involved in substantial business enterprises.

#### *Special responsibilities:*

Member of the audit committee

### Gilbert De Luca – Non-executive director

Mr De Luca joined the board as a non-executive director in 1989. He is the principal of the De Luca group of companies and has a wide range of business experience in the property and construction fields overseeing the acquisition of investment and development properties by that group.

#### *Special responsibilities:*

Member of the audit committee

### Vernon Alan Wills – Non-executive director

Mr Wills, who joined the board as independent director in 2004, has an extensive background in areas of investment and finance in a broad range of industries including property, mining, IT and education. He is currently chief executive officer and managing director of Site Group International Limited, chairman of Ubidity.com and chairman of Microba Life Sciences Limited. Mr Wills was previously chairman of Dark Blue Sea Limited, deputy chair of the Queensland government's Major Sports Facilities Authority, director of CITEC, Go-Talk Pty Ltd and Greg Norman Golf Foundation and served on the National Competition Policy – Queensland Liquor Review.

#### *Special responsibilities:*

Chairman of the audit committee

## Interests of directors

<i>Names of directors</i>	<i>Ordinary shares</i>
J M Ganim	10,049,212
G De Luca	6,191,438
V A Wills	-

The table above lists only the direct interests in the company held by the directors or entities controlled by the directors. Shareholdings of directors including shares held by related parties are disclosed in section 12 of this report.

## 10. Information on company secretary

The company secretary at the end of the financial year was Ms Leni Stanley CA, B.Com. Ms Stanley holds similar positions with other companies and is the principal of a chartered accounting firm.

## 11. Meetings of directors

The numbers of meetings of the company's board of directors and of its board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Directors' meetings		Audit committee meetings	
	Meetings held during the period whilst holding office	Meetings attended	Meetings held during the period whilst holding office	Meetings attended
J M Ganim	11	11	2	2
G De Luca	11	11	2	2
V A Wills	11	10	2	2

There were no other formally constituted committees of the board during the financial year.



## 12. Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Equity instruments held by key management personnel
- F Other transactions with key management personnel

### A. Principles used to determine the nature and amount of remuneration

The policy for determining the nature and amount of remuneration of board members and senior executives is as follows:

#### *Executives*

The board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure has two components; base pay and benefits such as superannuation and motor vehicle allowances. Currently no part of remuneration is linked to performance conditions. Upon retirement the executives are paid employee benefit entitlements accrued to date of retirement.

The remuneration policy for executives and other senior employees in terms of cost, market competitiveness and the linking of remuneration to the financial and operational performance of the company is periodically reviewed.

#### *Non-executive directors*

Fees and payments to non-executive directors reflect the financial status of the consolidated entity, and the demands that are made on, and the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the board and are set within the limits approved by shareholders. No retirement benefits are payable to non-executive directors.

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive director remuneration is determined within the aggregate directors' fee pool, which is periodically recommended for approval by shareholders. The latest determination was at an Annual General Meeting held on 24 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per annum. The actual amount paid during the financial year ended 30 June 2018 was \$160,000 (2017: \$160,000).

#### *Relationship to performance*

There are no direct links between key management personnel remuneration and group performance. Performance of the group over the last five years is as follows:

Year ended 30 June	2018	2017	2016	2015	2014
Profit after tax attributable to members (\$'000)	3,900	1,464	1,976	2,298	3,166
Total comprehensive income for the year (\$'000)	4,352	5,203	3,508	2,655	2,955
Dividends paid (\$'000)	2,020	1,996	1,740	631	1,419
Dividends paid per share <sup>3</sup>	5.5c	5.55c	5.2c	2.0c	5.0c
Net tangible asset backing per share	103.5c	97.2c	88.7c	85.5c	80.6c
Share price at end of year <sup>1,2</sup>	89¢	88¢	70¢	55¢	50¢

1. Adjusted for 1:1 rights issue at 45 cents per share (on an adjusted basis) in the 2014 financial year

2. Prior period share price at end of year has been restated to reflect the consolidation of the company's issued capital on the basis of 1 for every 10 shares which occurred in the 2017 financial year

3 June 2014 dividend was a special dividend. All other payments are ordinary dividends

12. Remuneration report (continued)

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of the company and each of the other key management personnel of the company and the consolidated entity for the year ended 30 June 2018 are set out in the following table.

	Short term employee benefits			Post-employment benefits	Long Term Benefits	Share based payments	Total	% Performance based
	Cash salary and fees*	Cash bonuses	Non-cash benefits	Super-annuation	Long Service Leave*	Options		
2018	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
J M Ganim	54,795	-	-	5,205	-	-	60,000	-
G De Luca	45,662	-	-	4,338	-	-	50,000	-
V A Wills**	50,000	-	-	-	-	-	50,000	-
<b>Total</b>	<b>150,457</b>	<b>-</b>	<b>-</b>	<b>9,543</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	
<b>Other key management personnel</b>								
S M Jacobi-Lee	183,901	-	4,649	18,219	3,980	-	210,749	-
<b>Total</b>	<b>183,901</b>	<b>-</b>	<b>4,649</b>	<b>18,219</b>	<b>3,980</b>	<b>-</b>	<b>210,749</b>	
<b>2017</b>								
<b>Directors</b>								
J M Ganim	54,795	-	-	5,205	-	-	60,000	-
G De Luca	45,662	-	-	4,338	-	-	50,000	-
V A Wills**	50,000	-	-	-	-	-	50,000	-
<b>Total</b>	<b>150,457</b>	<b>-</b>	<b>-</b>	<b>9,543</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	
<b>Other key management personnel</b>								
S M Jacobi-Lee	198,915	-	4,089	19,063	3,793	-	225,860	-
<b>Total</b>	<b>198,915</b>	<b>-</b>	<b>4,089</b>	<b>19,063</b>	<b>3,793</b>	<b>-</b>	<b>225,860</b>	

\* Amounts disclosed include leave entitlement accrued during the year

\*\* Directors fees for V A Wills are invoiced by and paid to a related entity on commercial terms. There were no amounts outstanding at 30 June 2018 (2017: Nil)

The board has assessed the executive group and the disclosures in the above table relate strictly to those individuals with the authority and responsibility for planning, directing, and controlling the activities of the entity directly or indirectly. There were no other key management personnel in the executive group in the current or prior year.

Eumundi Group Limited's resolution put forward at the 2017 annual general meeting proposing that the remuneration report be adopted received 99.9% "yes" votes. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

C. Service agreements

S Jacobi-Lee (Chief Executive Officer)

Ms Jacobi-Lee receives a salary package of \$210,000 pa inclusive of superannuation, and 3 month notice is required in the event of termination.

D. Share-based compensation

There have been no share based payment benefits, vested or exercised, or granted as compensation during the year (2017: nil).

E. Equity instruments held by key management personnel

The numbers of shares in the company held during the financial year by each director of Eumundi Group Limited and other key management personnel of the group, including their personally related parties, are set out below.

	Balance at start of year	Movements	Balance at end of year
<b>2018</b>			
<b>Directors</b>			
J M Ganim	11,433,466	-	11,433,466
G De Luca	6,232,105	-	6,232,105
V A Wills	-	-	-
<b>Other key management personnel</b>			
S Jacobi-Lee	-	-	-

## 12. Remuneration report (continued)

### F. Other transactions with key management personnel

During the year the group engaged an entity related to J M Ganim to provide project management services on commercial terms. No payment was made during the year. \$1,000 was owing to related parties at 30 June 2018 (30 June 2017: \$Nil).

There were no loans to key management personnel at any time during the financial year.

### End of Remuneration Report

## 13. Shares under option

There are no unissued ordinary shares of Eumundi Group Limited under option at the date of this report.

## 14. Shares issued on exercise of options

No options have been exercised during the year and up to the date of this report.

## 15. Insurance of officers

During the financial year, Eumundi Group Limited paid a premium to insure the directors and secretary of the company and its Australian based controlled entities, and the executives of the consolidated entity. The policy prohibits disclosure of details of the cover and the amount of premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to insurance against legal costs and those relating to other liabilities.

## 16. Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 17. Non-audit services

The company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services by Pitcher Partners is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2018 \$	2017 \$
<b>Pitcher Partners</b>		
Taxation compliance services	10,000	8,000

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

**18. Rounding of amounts**

This company is a kind referred to in ASIC Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



J M Ganim  
Director

Dated at Brisbane this 27<sup>th</sup> day of August 2018.



# PITCHER PARTNERS

Level 38, 345 Queen Street  
Brisbane, Queensland 4000

Postal Address  
GPO Box 1144  
Brisbane, Queensland 4001

Tel +61 7 3222 8444  
Fax +61 7 3221 7779

[www.pitcher.com.au](http://www.pitcher.com.au)  
[info@pitcherpartners.com.au](mailto:info@pitcherpartners.com.au)

The Directors  
Eumundi Group Limited  
Level 15, 10 Market Street  
BRISBANE QLD 4000

## Auditor's Independence Declaration

As lead auditor for the audit of Eumundi Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of *APES 110 Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

NIGEL BATTERS  
Partner

Brisbane, Queensland  
27 August 2018

Ken Ogden  
Nigel Fischer  
Mark Nicholson

Peter Camenzuli  
Jason Evans  
Ian Jones

Kylie Lamprecht  
Norman Thurecht  
Brett Headrick

Warwick Face  
Nigel Batters  
Cole Wilkinson

Simon Chun  
Jeremy Jones  
Tom Splatt

James Field  
Daniel Colwell



**Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>Revenue</b>	5	24,782	24,232
<b>Other income</b>			
Net gain on fair value adjustment – investment properties	13	3,218	80
Total revenue and other income		<u>28,000</u>	<u>24,312</u>
<b>Expenses</b>			
Purchase of inventories		(8,828)	(8,856)
Change in inventories		226	37
Selling and promotional costs		(924)	(943)
Employee benefits expense		(3,986)	(4,019)
Depreciation and amortisation	6	(1,195)	(1,024)
Insurance		(108)	(107)
Operating lease rentals	6	(361)	(355)
Rates and taxes		(102)	(108)
Electricity		(282)	(307)
Outgoings – investment properties		(601)	(780)
Gaming machine tax		(4,276)	(4,118)
Finance costs	6	(654)	(322)
Listing and corporate governance costs		(322)	(334)
Other expenses		(1,018)	(987)
<b>Total expenses</b>		<u>(22,431)</u>	<u>(22,223)</u>
<b>Profit before income tax</b>		5,569	2,089
Income tax expense	7	(1,669)	(625)
<b>Profit for the year</b>		<u><b>3,900</b></u>	<u><b>1,464</b></u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value revaluation of land and buildings and land held for resale		646	5,342
Income tax on items of other comprehensive income		(194)	(1,603)
Other comprehensive income for the period, net of tax		<u>452</u>	<u>3,739</u>
<b>Total comprehensive income for the year</b>		<u><b>4,352</b></u>	<u><b>5,203</b></u>
<b>Earnings per share:</b>		<b>Cents</b>	<b>Cents</b>
Basic & diluted earnings per share	29	10.62	4.03

The above consolidated statement of financial position is to be read in conjunction with the attached notes.

# Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	8	983	838
Trade and other receivables	9	179	304
Inventories	10	1,265	1,491
Other assets	11	308	378
<b>TOTAL CURRENT ASSETS</b>		<b>2,735</b>	<b>3,011</b>
NON-CURRENT ASSETS			
Property, plant and equipment	12	32,732	32,429
Investment properties	13	31,000	13,700
Intangible assets	14	540	542
<b>TOTAL NON-CURRENT ASSETS</b>		<b>64,272</b>	<b>46,671</b>
<b>TOTAL ASSETS</b>		<b>67,007</b>	<b>49,682</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	15	2,403	2,288
Income tax payable		106	237
Provisions	16	370	348
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,879</b>	<b>2,873</b>
NON-CURRENT LIABILITIES			
Borrowings	17	21,587	7,765
Deferred tax liability	7(c)	3,988	2,823
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>25, 575</b>	<b>10,588</b>
<b>TOTAL LIABILITIES</b>		<b>28,454</b>	<b>13,461</b>
<b>NET ASSETS</b>		<b>38,553</b>	<b>36,221</b>
<b>EQUITY</b>			
Contributed equity	18	21,812	21,812
Reserves	19(a)	9,427	8,975
Retained profits	19(b)	7,314	5,434
<b>TOTAL EQUITY</b>		<b>38,553</b>	<b>36,221</b>

The above consolidated statement of financial position is to be read in conjunction with the attached notes.

**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2018

	Notes	Contributed equity \$'000	Revaluation surplus \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 July 2016</b>		20,733	5,236	5,966	31,935
Profit for the year		-	-	1,464	1,464
Revaluation of land and buildings - gross	12	-	5,342	-	5,342
Income tax relating to components of other comprehensive income	7(d)	-	(1,603)	-	(1,603)
Total comprehensive income for the period		-	3,739	1,464	5,203
Dividend paid to shareholders	20	-	-	(1,996)	(1,996)
Contributions of equity net of transaction costs	18	1,079	-	-	1,079
<b>Balance at 30 June 2017</b>		21,812	8,975	5,434	36,221
Profit for the year		-	-	3,900	3,900
Revaluation of land and buildings - gross	12	-	646	-	646
Income tax relating to components of other comprehensive income	7(d)	-	(194)	-	(194)
Total comprehensive income for the period		-	452	3,900	4,352
Dividend paid to shareholders	20	-	-	(2,020)	(2,020)
<b>Balance at 30 June 2018</b>		21,812	9,427	7,314	38,553

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



**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		27,301	26,919
Payments to suppliers and employees		(22,942)	(24,315)
Interest received		3	3
Finance costs		(553)	(261)
Income tax paid		(827)	(628)
<b>Net cash inflows from operating activities</b>	27	2,982	1,718
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment property	13	(13,930)	-
Payments for investment properties	13	(108)	(11)
Payments for property, plant & equipment	12	(652)	(623)
Proceeds from sale of property plant and equipment		13	9
Proceeds from sale of land held for resale	10	-	182
<b>Net cash outflows used in investing activities</b>		(14,677)	(443)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		14,000	1,950
Repayment of borrowings		(90)	(2,980)
Loan establishment costs		(50)	-
Share issue costs		-	(6)
Dividends paid		(2,020)	(913)
<b>Net cash outflows used in financing activities</b>		11,840	(1,949)
<b>Net increase (decrease) in cash and cash equivalents</b>		145	(674)
Cash and cash equivalents at beginning of year		838	1,512
<b>Cash and cash equivalents at end of year</b>	8	983	838

The above consolidated statement of cash flows is to be read in conjunction with the attached notes.

**1. Significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity of Eumundi Group Limited and its subsidiaries. Limited financial information for the parent entity, however, is disclosed in note 21. It has been prepared on the same basis as the consolidated financial statements, as set out below.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. Eumundi Group Limited is a for-profit entity for the purpose of preparing financial statements.

*Compliance with IFRS*

The consolidated statements of Eumundi Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

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

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant are disclosed in note 3.

*Changes in Accounting Standards and Regulatory requirements*

There are no new or amended Accounting Standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2017 that are considered to have any material impact on the financial position or performance of the group or that would require additional disclosure in the current reporting period. The group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

**(b) Principles of consolidation**

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**1. Significant accounting policies (continued)**

**(b) Principles of consolidation (continued)**

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

*(ii) Changes in ownership interests*

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Eumundi Group Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating the resources and assessing the performance of the operating segments, has been identified as the board of directors.

**(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.
- Rental income from operating leases is recognised in income on a straight-line basis over the lease term.
- Revenue from gaming machines is recognised on the basis of daily takings net of jackpot liability movement.
- Interest revenue is recognised as the interest accrues (using the effective interest rate method).

**1. Significant accounting policies (continued)****(e) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Tax consolidation legislation*

Eumundi Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Eumundi Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Eumundi Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 7(f).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contributions to (or distributions from) wholly-owned tax consolidated entities.

**1. Significant accounting policies (continued)****(f) Leases**

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

**(g) Business combinations**

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exception, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference has been recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**(h) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**1. Significant accounting policies (continued)**

**(j) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

**(k) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase after deducting trade discounts, rebates, and other similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(l) Investments and other financial assets**

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

The group holds no financial assets at fair value through profit or loss.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets.

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the period end.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

The group assesses at each period end whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

**1. Significant accounting policies (continued)**

**(m) Fair value estimation**

The fair value of financial assets and liabilities, and certain non-financial assets and liabilities, must be estimated for recognition and measurement or for disclosure purposes.

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies assets and liabilities which are measured at fair value into the three levels prescribed under the accounting standards, as follows:

**Level 1:** The fair value of assets and liabilities traded in active markets is based on quoted market prices at the end of the reporting period. The group does not hold any assets or liabilities which are classified as level 1.

**Level 2:** The fair value of assets and liabilities that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. That is, all valuation inputs are observable. The group does not hold any assets or liabilities which are classified as level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the asset or liability is included in level 3. The group's land and buildings (note 1(n)) and investment properties (note 1(o)) are included within this level.

**(n) Property, plant and equipment**

Land and buildings (except for investment properties – refer to note 1(o)) are shown at fair value, based upon periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	40 years
Plant and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

**(o) Investment properties**

Investment properties, principally comprising freehold retail buildings, are held for long-term rental yields and are not occupied by the group. Investment properties are carried at fair value, representing open-market value determined by external valuers or an internal valuation process. Changes in fair value are recorded in profit or loss as part of other income or as a separate expense (as appropriate).

**1. Significant accounting policies (continued)**

**(p) Intangible assets**

*(i) Hotel licences*

Hotel licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives of 50 years.

*(ii) Gaming authorities*

Gaming authorities have no expiry date and can only be withdrawn or cancelled by a government authority under circumstances of breach or legislative change. They are deemed to have an indefinite useful life and are carried at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(h).

**(q) Trade and other payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost.

These amounts represent liabilities for goods and services provided to the group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(r) Employee benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*(ii) Other long-term benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

*(iii) Retirement benefit obligations*

The group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

**(s) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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



**1. Summary of significant accounting policies (continued)****(t) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity re-acquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss for the consideration paid including any directly attributable incremental costs (net of income taxes) recognised in equity.

**(u) Earnings per share***(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(v) Dividends**

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

**(w) Goods and services tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

**(x) Rounding of amounts**

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

**1. Summary of significant accounting policies (continued)****(y) New accounting standards and interpretations issued but not operative as at 30 June 2018**

AASB 9 *Financial Instruments* simplifies the approach for classification and measurement of financial assets and financial liabilities when compared with AASB 139. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity instruments that are not held for trading. In December, new hedge accounting requirements were incorporated in AASB 9. The new model aligns hedge accounting more closely with risk management and required extended disclosure.

The consolidated entity will apply AASB 9 (2014) in the financial year beginning 1 July 2018. The consolidated entity does not hedge account, has no equity instruments held for trading, and does not intend to modify existing financial liabilities. An assessment has been performed and, as the consolidated entity does not expect the application of AASB 9 to have any effect on the consolidated net income, balance sheet or cash flows of the consolidated entity.

AASB 15 *Revenue from contracts with customers* is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether, how much and at what point the revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The consolidated entity will apply AASB 15 in the financial year beginning 1 July 2018. An assessment has been performed and as the consolidated entity's non-lease revenues are predominantly settled by cash at the point of transaction, the consolidated entity does not expect the application of AASB 15 to have any effect on the consolidated net income, balance sheet or cash flows of the consolidated entity.

AASB 16 *Leases* requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term greater than 12 months. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition (i) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model, and (ii) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability.

Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of use. The ongoing income statement classification of what is currently predominantly presented as occupancy-related expenses will be split between amortisation and interest expense.

The new standard applies to a number of lease contracts into which the Group has entered. Based on the Directors assessment, it is expected that adoption prescribed by the new standard on 1 July 2019 will have the following impacts on the financial statements: Relevant leases entered into include those for commercial office space and retail liquor premises. The balance sheet will be adjusted to recognise a value in use asset and an associated lease liability on initial application for \$93,000. The lease liability will be measured at the net present value of the future amounts payable under the relevant lease. The income statement will be impacted by rent expense being replaced by interest and amortisation expense.

The forecast impact of the application of the new standard in the income statement has been assessed as immaterial.

As lessor accounting remains largely unchanged there is no anticipated material impact on accounting for rental income for the Group.

A number of other accounting standards and interpretations have been issued at the reporting date but are not yet effective. The Directors have not yet assessed the impact of these standards or interpretations.

**1. Summary of significant accounting policies (continued)****(z) General**

This financial report covers the consolidated entity consisting of Eumundi Group Limited and its controlled entities.

Eumundi Group Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal places of business are:

Principal places of business:

- Level 15, 10 Market Street, Brisbane Qld 4000

Other places of business:

- Ashmore Tavern, Cnr of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Aspley Shopping Centre (including Aspley Central Tavern), 1374-1378 Gympie Rd, Aspley Qld 4034
- Aspley Arcade Shopping Village, 1364-1368 Gympie Rd, Aspley Qld 4034
- The Plough Inn, Southbank, Qld 4101

Registered office:

Level 8, 1 Eagle Street, Brisbane Qld 4000

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 2. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk management is carried out by management under policies approved by the board of directors. The board provides principles for overall risk management as well as policies covering specific areas such as mitigating interest rate and credit risks and investing excess liquidity.

The group holds the following financial instruments:

	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	983	838
Trade and other receivables*	179	304
	<u>1,162</u>	<u>1,142</u>
<b>Financial liabilities</b>		
Trade and other payables**	2,403	2,288
Borrowings**	21,587	7,765
	<u>23,990</u>	<u>10,053</u>

\*Loans and receivables category

\*\* Financial liabilities at amortised cost category

Refer to note 17(a) for information on assets pledged as security by the group.

#### (a) Market risk

##### *Currency risk*

The group has no exposure to currency risk.

##### *Price risk*

The group does not have any material exposure to equity securities price risk or commodity price risk.

##### *Interest rate risk*

The group's interest rate risk primarily arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. No hedging instruments are used.

The group manages its exposure to interest rate risks through a formal set of policies and procedures approved by the board. The group does not engage in any significant transactions which are speculative in nature.

As at the end of each reporting period, the group had the following variable rate borrowings outstanding:

	30 June 2018		30 June 2017	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Finance facilities	3.70%	21,630	3.41%	7,720

##### *Sensitivity*

At 30 June 2018, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$151,000 lower/higher (2017: change of 100 bps: \$54,000 lower/ higher) as a result of a change in interest expense from borrowings. Weighted average interest rates exclude facility fees paid on undrawn facilities.

**2. Financial risk management (continued)**

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to receivables. The maximum credit risk exposure is represented by the carrying amount of financial assets in the statement of financial position, net of any provisions for losses.

The group extends credit only to recognised, creditworthy third parties. In addition, receivable balances are monitored on a continual basis. The group's exposure to bad debts is not significant.

The group had no other significant concentrations of credit risk from any single debtor or group of debtors at balance date.

Creditworthiness of potential tenants is established through the review of applicants' credit history and financial position. Security in the form of deposits, bank guarantees and third party guarantees is obtained which can be called upon if the counterparty is in default under the terms of the lease agreement.

At period end cash and deposits were held with the National Australia Bank.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding through the use of bank overdrafts, commercial bill facilities, and finance leases.

As at 30 June 2018, none of the group's debt is payable in the next 12 months (2017: nil).

*Maturity of financial liabilities*

The tables below analyse the group's financial liabilities into relevant maturity groupings based upon the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Cash flows are managed on a daily basis to ensure adequate funds are available to pay liabilities as they come due while minimising the use of credit facilities.

At 30 June 2018	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Trade and other payables	2,403	-	-	-	2,403	2,403
Commercial loans	393	393	1,930	21,136	23,852	21,587
<b>Total</b>	<b>2,796</b>	<b>393</b>	<b>1,930</b>	<b>21,136</b>	<b>26,255</b>	<b>23,990</b>

At 30 June 2017	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
Trade and other payables	2,288	-	-	-	2,288	2,288
Commercial bills	130	130	7,958	-	8,218	7,765
<b>Total</b>	<b>2,418</b>	<b>130</b>	<b>7,958</b>	<b>-</b>	<b>10,506</b>	<b>10,053</b>

**(d) Fair Value**

The fair value of financial assets and financial liabilities must be estimated for disclosure purposes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

### 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the group within the next financial year are discussed below.

The group has investment properties with a carrying amount of \$31,000,000 (2017: \$13,700,000), and land and buildings (included in property, plant and equipment) with a carrying amount of \$31,310,000 (2017: \$30,961,000) representing estimated fair value. These carrying amounts are based upon either independent valuations or on directors' valuations. A reconciliation of movements in the carrying value of these assets during the period is disclosed in notes 13 and 12 respectively. Gains recognised on the revaluation of investment properties in the period totalling \$3,218,000 (2017: \$80,000) are included within other income in the statement of comprehensive income. Gains on the revaluation of land and buildings in the period totalling \$646,000 (2017: gain of \$5,342,000) are recognised in the revaluation reserve in equity, net of tax, in accordance with the accounting policy described in note 1(n).

The fair value is the price that would be received to sell the property in an orderly transaction between market participants at balance date, under current market conditions, in the principal market for the asset. Such measurement takes into consideration the highest and best use of the property, being the use (either by the group or by another market participant) that would maximise the value of the property.

The group has determined that the current use of its tangible property assets carried at fair value, being held for rental returns for its retail assets and held for use in owner managed business operations for its tavern assets, represents the highest and best use of the assets.

Fair value measurements for land and buildings and investment property fall within level 3 of the fair value hierarchy described in note 1(m), as the valuation of these assets at balance date has been derived utilising valuation techniques which make use of one or more significant unobservable inputs. No assets have been transferred between levels of the fair value hierarchy during the financial year.

In determining the fair value of investment properties the capitalisation of net market income method and discounted cash flow methods have been used. In determining the valuation of tavern assets the capitalisation of net market income method has been used, as adjusted for any intangible business value.

#### *Categories of Tangible Assets Measured at Fair Value*

The group's tangible assets carried at fair value are grouped into the following categories for the purpose of the below analysis:

**Retail assets** – Aspley Arcade Shopping Village, and land and buildings with a value determined by reference to the retail component of the Aspley Shopping Centre as described in note 12.

The 30 June 2018 fair value assessment for Aspley Arcade Shopping Village and the retail component for Aspley Shopping Centre was based upon an independent valuation made by members of the Australian Property Institute in June 2018.

The 30 June 2017 fair value assessment for Aspley Arcade Shopping Village was based on directors' internal valuation and the retail component for Aspley Shopping Centre was based upon an independent valuation made by members of the Australian Property Institute in February 2017.

The 30 June 2018 fair value assessment for The Plough Inn was based on an independent valuation made by members of the Australian Property Institute in June 2018.

**Tavern assets** – Land and buildings with a value derived from an assessment of the going concern value of the Ashmore Tavern and Aspley Central Tavern.

The June 2018 valuation of land and buildings for Ashmore Tavern was based on an independent valuation made by members of the Australian Property Institute in July 2018. The June 2018 valuation for the hotel component of Aspley Shopping Centre (Aspley Central Tavern) was based on an independent valuation made by members of the Australian Property Institute in June 2018.

The June 2017 valuation of land and buildings for Ashmore Tavern was based upon directors' internal valuation. The June 2017 valuation for the hotel component of Aspley Shopping Centre (Aspley Central Tavern) was based upon an independent valuation made by members of the Australian Property Institute in February 2017.

### 3. Critical accounting estimates and judgements (continued)

#### *Significant Inputs and Sensitivity Information*

The range of significant unobservable inputs adopted in the valuation of retail assets is as follows:

- specialty tenancy net market rent (per sqm p.a.) ranging from \$214 to \$917 (2017: \$375 to \$700)
- capitalisation rate for each property of 7.0% to 7.5% (2017: 8.75% to 8.75%) (weighted average of 7.23% (2017: 8.75%))
- discount rates ranging from 8.75% to 9.0% (2017: 9.5% to 9.5%) (weighted average of 8.87% (2017: 9.5%))
- perpetual vacancy rates ranging from 5.0% to 5.0% (2017: 2.5% to 3.0%) (weighted average of 5.0% (2017: 2.72%))
- assumed lease term of 5 years (2017: 5 years)

The range of significant unobservable inputs adopted in the valuation of tavern assets is as follows:

- capitalisation rates applied to market EBITDA 10% to 17% (2017: 11%)
- market EBITDA of \$2,000,000 for the Ashmore Tavern (2017: \$1,842,500) and \$931,000 for Aspley Central Tavern (2017: \$925,000)
- market rent percentages ranging from 40.0% to 51.0% (2017: 40% to 45.0%)

The table below explains the key inputs used to measure fair value under the capitalisation of net market income and discounted cash flow methods described above:

Method/Input	Description
<b>Discounted cash flow method</b>	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
<b>Capitalisation of net market income method</b>	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital reversions.
<b>Net market rent</b>	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
<b>Adopted capitalisation rate</b>	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regard to market evidence.
<b>Perpetual vacancy allowance</b>	A reduction applied to net market rent prior to capitalisation to reflect expected prevailing vacancies over the life of the asset. The percentage allowance is determined with regard to market evidence.
<b>Adopted discount rate</b>	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regard to market evidence.
<b>Adopted terminal yield</b>	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence.
<b>Adopted market EBITDA</b>	The earnings before interest, taxation, depreciation, amortisation, and rent expense determined as achievable for the subject property, having regard to market evidence and trading performance history.

A significant increase or decrease in one or more of the inputs described above will have an effect on the reported fair value as follows:

Significant Input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
<b>Net market rent</b>	Increase	Decrease
<b>Adopted capitalisation rate</b>	Decrease	Increase
<b>Perpetual vacancy allowance</b>	Decrease	Increase
<b>Adopted discount rate</b>	Decrease	Increase
<b>Adopted terminal yield</b>	Decrease	Increase

**3. Critical accounting estimates and judgements (continued)**

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate is a significant input of the capitalisation of net market income method and the adopted terminal yield is a significant input of the discounted cash flow method.

Under the capitalisation method, the net market rent has a strong interrelationship with the adopted capitalisation rate. In theory, a directionally similar movement in both inputs could potentially offset the impact to the fair value. A directionally opposite change in both inputs could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to terminal value. In theory, a directionally similar movement in both inputs could potentially offset the impact to the fair value. A directionally opposite change in both inputs could potentially magnify the impact to the fair value.

**4. Segment information****Description of segments**

The group has identified its operating segments based upon internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of product category and service offerings since the diversifications of the group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the aggregation criteria of AASB 8.

**Reportable segments***Hotel operations*

The hotel operations segment sells packaged alcoholic beverages through its retail outlets, sells food and alcoholic beverages on-premise through bars and restaurants and operates licensed gaming venues.

*Investment property operations*

The investment segment owns and leases investment property assets to retail tenants.

**Basis of accounting for purposes of reporting by operating segments***Accounting policies adopted*

Unless otherwise stated, all amounts reported to the board of directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

*Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. All such transactions are eliminated on consolidation for the group's financial statements.

*Segment assets and liabilities*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature.

Unless indicated otherwise in the segment assets note, investments in financial assets and deferred tax assets have not been allocated to operating segments.

Information pertaining to segment liabilities is not regularly reported to the board of directors.

*Unallocated items*

Certain items of revenue, expense and assets are not allocated to operating segments as they are not considered part of the core operations of any segment including fair value adjustments, financing costs and corporate overheads.



## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 4. Segment information (continued)

	Hotel operations	Investment property operations	Total
	\$'000	\$'000	\$'000
<b>2018</b>			
<b>Revenue</b>			
Total sales revenue	21,390	3,279	24,669
Other revenue	529	-	529
Total segment revenue	21,919	3,279	25,198
Inter-segment revenue			(419)
Interest revenue			3
Total revenue			24,782
<b>Results</b>			
Segment results	1,511	2,272	3,783
Finance expenses			(654)
Unallocated revenue less unallocated expenses			(778)
Fair value adjustment on investment properties			3,218
Profit before income tax			5,569
Income tax expense			(1,669)
Profit for the year			3,900
<b>Assets</b>			
Segment assets	17,111	49,700	66,811
Unallocated assets			196
Total assets			67,007
Depreciation and amortisation	790	404	1,193
Unallocated			2
Total depreciation and amortisation			1,195

Working capital, plant and equipment relating to the groups hotel operations and Ashmore Tavern land and buildings are included in hotel segment assets.

The total value of the land and buildings within the Aspley Shopping Centre has been included in the investment property segment assets, as this segment receives the majority of the economic value from these assets. The results of the Aspley Central Tavern which forms part of this property are included in the hotel operations segment.

Inter-segment revenue of \$419,000 in the current year relates to Aspley Central Tavern rent and outgoings (2017: \$396,000).

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 4. Segment information (continued)

	Hotel operations	Investment property operations	Total
	\$'000	\$'000	\$'000
<b>2017</b>			
<b>Revenue</b>			
Total sales revenue	21,301	2,771	24,072
Other revenue	553	-	553
Total segment revenue	21,854	2,771	24,625
Inter-segment revenue			(396)
Interest revenue			3
Total revenue			24,232
<b>Results</b>			
Segment results	1,557	1,648	3,205
Finance expenses			(322)
Unallocated revenue less unallocated expenses			(874)
Fair value adjustment on investment properties			80
Profit before income tax			2,089
Income tax expense			(625)
Profit for the year			1,464
<b>Assets</b>			
Segment assets	15,366	33,971	49,337
Unallocated assets			345
Total assets			49,682
Depreciation and amortisation	678	343	1,021
Unallocated			3
Total depreciation and amortisation			1,024

### 5. Revenue

	2018 \$'000	2017 \$'000
Sale of goods	12,777	12,911
Gaming revenue	8,613	8,390
Rental income and recoveries from investment properties	2,860	2,375
	24,250	23,676
Interest	3	3
Commissions	326	330
Other	203	223
Total revenue	24,782	24,232

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 6. Expenses

	2018 \$'000	2017 \$'000
Profit before income tax includes the following specific expenses:		
Cost of goods sold	8,602	8,819
Depreciation		
- Buildings	632	495
- Plant and equipment	561	526
Total depreciation	<u>1,193</u>	<u>1,021</u>
Amortisation – intangibles	2	3
Finance costs		
- Amortisation of loan establishment costs	7	-
- Interest and finance charges paid/payable	647	322
Total finance costs	<u>654</u>	<u>322</u>
Operating lease rentals – minimum lease payments	361	355
Defined contribution superannuation expense	322	316

### 7. Income tax

#### (a) Income tax expense

Current tax	698	761
Deferred tax	971	(136)
	<u>1,669</u>	<u>625</u>

#### (b) Numerical reconciliation of income tax to prima facie tax payable is as follows:

Profit before income tax - continuing operations	<u>5,569</u>	<u>2,089</u>
Income tax at the Australian tax rate of 30% (2017: 30%)	1,670	627
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-taxable items	<u>(1)</u>	<u>(2)</u>
Income tax expense	<u>(1,669)</u>	<u>625</u>

**Notes to the financial statements**

For the year ended 30 June 2018

(continued)

**7. Income tax (continued)****(c) Deferred income tax at 30 June relates to the following:**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Investment properties	(3,416)	(241)
Property, plant and equipment	(1,299)	(3,329)
Employee benefits	111	104
Accrued expenses	16	15
Sundry items	2	30
Tax losses	598	598
Net deferred tax assets	<u>(3,988)</u>	<u>(2,823)</u>

**Movement in deferred tax:**

At 1 July	(2,823)	(1,358)
Charged to profit or loss	(971)	136
Over provision in prior years	-	-
Credited to equity	-	2
Charged to other comprehensive income	(194)	(1,603)
At 30 June	<u>(3,988)</u>	<u>(2,823)</u>

**(d) Tax expense relating to items of other comprehensive income**

Gain on revaluation of land and buildings	(194)	(1,603)
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**(e) Amounts relating to items recognised directly in equity**

Share issue costs	-	2
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**(f) Tax consolidation legislation**

Eumundi Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on accounting for tax consolidation is set out in note 1(e).

The entities in the tax consolidated group have entered into tax funding agreements under which the wholly-owned entities fully compensate Eumundi Group Limited for any current tax payable assumed and are compensated by Eumundi Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Eumundi Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

**(g) Franking credits**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	<u>362</u>	<u>532</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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**Notes to the financial statements**

For the year ended 30 June 2018

(continued)

**8. Cash and cash equivalents**

	2018 \$'000	2017 \$'000
Cash at bank and in hand	983	838

The group's exposure to interest rate risk is discussed in note 2(a).

**9. Trade and other receivables**

Trade receivables	97	151
Other receivables	82	153
	179	304

**Impaired trade receivables**

The group has no impaired receivables as at 30 June 2018 (2017: \$nil).

**Past due but not impaired**

There are no significant receivables of the group that are past due but not impaired.

**Fair value and credit risk**

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables mentioned above. Refer to note 2(b) for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

**10. Inventories**

Finished goods – at cost	1,265	1,491
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Inventories recognised as expense during the period ended 30 June 2018 amounted to \$8,602,000 (2017: \$8,819,000).

**11. Other current assets**

Short term deposits	53	44
Prepayments	255	334
	308	378

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 12. Property, plant and equipment

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Year ended 30 June 2017</b>				
Opening net book amount	9,090	17,099	1,411	27,600
Revaluation increment	-	5,342	-	5,342
Additions	-	66	594	660
Disposals	-	-	(11)	(11)
Straight-line adjustments and lease incentives	-	(141)	-	(141)
Depreciation charge	-	(495)	(526)	(1,021)
Closing net book amount	9,090	21,871	1,468	32,429
<b>At 30 June 2017</b>				
Cost or fair value	9,090	22,072	2,704	33,866
Accumulated depreciation	-	(201)	(1,236)	(1,437)
Net book amount	9,090	21,871	1,468	32,429
<b>Year ended 30 June 2018</b>				
Opening net book amount	9,090	21,871	1,468	32,429
Revaluation increment	920	(274)	-	646
Additions	-	125	527	652
Disposals	-	-	(12)	(12)
Straight-line adjustments and lease incentives	-	210	-	210
Depreciation charge	-	(632)	(561)	(1,193)
Closing net book amount	10,010	21,300	1,422	32,732
<b>At 30 June 2018</b>				
Cost or fair value	10,010	21,300	3,062	34,372
Accumulated depreciation	-	-	(1,640)	(1,640)
Net book amount	10,010	21,300	1,422	32,732

Land and buildings includes Ashmore Tavern and Aspley Shopping Centre.

#### (a) Valuation of land and buildings

Information on the basis for determining the fair value of land and buildings at balance date, including a description of significant valuation inputs, is contained within note 3.

#### (b) Non-current assets pledged as security

Refer to note 17(a) for information on assets pledged as security by the group.

#### (c) Contractual obligations

Refer to note 25(b) for information on contractual obligations.

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 12. Property, plant and equipment (continued)

#### (d) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2018 \$'000	2017 \$'000
<b>Freehold land</b>		
Cost or deemed cost	7,426	7,426
Net book amount	7,426	7,426
<b>Buildings</b>		
Cost or deemed cost	13,601	13,068
Accumulated depreciation	(1,865)	(1,517)
Net book amount	11,736	11,551

### 13. Investment properties

	2018 \$'000	2017 \$'000
<b>At fair value</b>		
At beginning of year	13,700	13,700
Acquisition of investment property	13,930	-
Capitalised expenditure	108	11
Straight line rentals and lease incentives	44	(91)
Net gain from fair value adjustment	3,218	80
At end of year	31,000	13,700

#### (a) Valuation basis

Information on the basis for determining the fair value of investment properties at balance date, including a description of significant valuation inputs, is contained within note 3.

The table below summarises the adopted fair values of the investment properties held by the group as at balance date:

Property	Acquisit- ion Date	Cost Including Additions*	Last Independent Valuation		Book Value	
			Date	\$'000	2018 \$'000	2017 \$'000
Aspley Arcade Shopping Centre	Jun 2007	13,000	June 2018	17,000	17,000	13,700
Plough Inn	Nov 2017	13,100	June 2018	14,000	14,000	-
					31,000	13,700

\* excluding acquisition costs

#### (b) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2018 \$'000	2017 \$'000
Within one year	2,786	1,892
Later than one year but not later than five years	8,216	5,309
Later than five years	12,011	936
Total	23,013	8,137

#### (c) Non-current assets pledged as security

Refer to note 17(a) for information on assets pledged as security by the group.

#### (d) Contractual obligations

Refer to note 25(b) for information on contractual obligations.

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 13. Investment properties (continued)

#### (e) Amounts recognised in profit or loss for investment properties

	2018 \$'000	2017 \$'000
Rental income and recoveries from investment properties	2,860	2,375
Direct operating expenses from properties that generated rental income	(601)	(780)
	<u>2,259</u>	<u>1,595</u>

### 14. Intangible assets

Gaming authorities at cost	<u>478</u>	<u>478</u>
Hotel licenses at cost	104	104
Accumulated amortisation	<u>(42)</u>	<u>(40)</u>
Net carrying value	<u>62</u>	<u>64</u>
Net carrying value of intangibles	<u>540</u>	<u>542</u>

	Hotel Licences \$'000	Gaming Authorities \$'000	Total \$'000
<b>Year ended 30 June 2017</b>			
Opening net book amount	67	478	545
Amortisation charge	(3)	-	(3)
Closing net book amount	<u>64</u>	<u>478</u>	<u>542</u>
<b>Year ended 30 June 2018</b>			
Opening net book amount	64	478	542
Amortisation charge	(2)	-	(2)
Closing net book amount	<u>62</u>	<u>478</u>	<u>540</u>

### 15. Trade and other payables

	2018 \$'000	2017 \$'000
Trade payables	1,507	1,607
Other payables and accruals	896	681
	<u>2,403</u>	<u>2,288</u>

### 16. Current liabilities – Provisions

Employee benefits	<u>370</u>	<u>348</u>
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### 17. Non-current liabilities – Borrowings

Commercial loans – secured	<u>21,587</u>	<u>7,765</u>
----------------------------	---------------	--------------

#### (a) Assets pledged as security

Bank overdraft and commercial facilities are wholly secured by way of:

- (i) Registered mortgage debenture over the assets and undertakings of the group;
- (ii) Unlimited fully interlocking guarantee by Eumundi Group Limited, Eumundi Property Group Pty Ltd and Eumundi Group Hotels Pty Ltd; and
- (iii) First registered mortgage over the property, plant and equipment and investment properties of the group.

As such all assets are pledged as security for borrowings.



## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 17. Non-current liabilities – Borrowings (continued)

#### (b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	2018 \$'000	2017 \$'000
<b>Credit standby arrangements</b>		
Total facilities		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial loan facilities	26,000	12,000
	<u>26,500</u>	<u>12,500</u>
Used at balance date		
Bank overdraft	-	-
Finance lease liabilities	-	-
Commercial loan facilities *	21,630	7,720
	<u>21,630</u>	<u>7,720</u>
Unused at balance date		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial loan facilities	4,370	4,280
	<u>4,870</u>	<u>4,780</u>

\* Used at balance date comprises the face value of loans drawn. The amount recognised in the consolidated statement of financial position includes loan establishment costs.

#### Bank overdraft

Standby funds provided by the group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2017: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

#### Finance Facilities

Commercial loan facilities are able to be drawn against and repaid at any time, with interest rates fixed for each 90 day loan period, and interest is payable at the end of the roll period based on daily balances.

The finance facilities are subject to annual review. Interest is at variable rates. All facilities are interest only until expiry. Further details are outlined below.

Facility Limit		Amount drawn (Face Value)		Interest rate		Expiry Date
2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 %	2017 %	
-	3,000	-	-	-	3.44	n/a
6,000	3,000	1,630	1,720	3.69	3.42	31 July 2019
4,500	3,000	4,500	3,000	3.69	3.39	30 October 2020
4,500	3,000	4,500	3,000	3.58	3.39	30 October 2020
4,000	-	4,000	-	3.91	-	31 October 2022
3,000	-	3,000	-	3.67	-	30 October 2020
4,000	-	4,000	-	3.67	-	30 October 2020
<u>26,000</u>	<u>12,000</u>	<u>21,630</u>	<u>7,720</u>			

#### Finance lease liabilities

The group has a lease finance facility of \$400,000 (2017: \$400,000) which may only be used to finance plant and equipment. Where applicable, the leases are repayable in fixed monthly instalments of principal and interest over the term of the respective leases.

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 18. Contributed equity

	2018	2017	2018	2017
	Number of shares	Number of shares	\$'000	\$'000
<b>Share capital</b>				
Fully paid ordinary shares	36,723,117	36,723,117	21,812	21,812

Ordinary shares entitle the holder to participate in dividends and the 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 upon a poll each share is entitled to one vote.

#### Movements in share capital

	Number of Shares	Issue Price ¢	\$'000
<b>Balance at 1 July 2016</b>	354,380,540		20,733
Shares issued under the DRP	12,850,600	8.43	1,083
Share issue costs (net of tax)	-	-	(4)
1 for 10 share consolidation	(330,508,023)		-
<b>Balance at 30 June 2017</b>	36,723,117		21,812
<b>Balance at 30 June 2018</b>	36,723,117		21,812

On 11 October 2016, the company issued 12,850,600 ordinary shares at a price of 8.43 cents per share (84.3 cents per share on an adjusted basis) under the company's Dividend Reinvestment Plan (DRP) in respect of a fully franked final dividend announced on 30 August 2016.

At the Annual General Meeting on 18 November 2016 shareholders approved a 1 for 10 share consolidation which was completed on 29 November 2016 resulting in a 330,508,023 reduction in the number of shares. As a result, issued share capital decreased from 367,231,140 pre-consolidation shares to 36,723,117 shares post consolidation.

There was no movement in share capital in the 2018 financial year.

#### Options

As at 30 June 2018, there were no options to purchase ordinary shares in the parent entity (2017: Nil).

## 18. Contributed equity (continued)

### Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings ( 'borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

The gearing ratios as at 30 June 2018 and 30 June 2017 were as follows:

	2018 \$'000	2017 \$'000
Total borrowings	21,587	7,765
Less: cash and cash equivalents	(983)	(838)
Net debt	20,604	6,927
Total equity	38,553	36,221
Total capital	59,157	43,148
Gearing ratio	53.4%	19.1%

Eumundi Group Limited has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 financial years.

## 19. Reserves and retained profits

### (a) Reserves

	2018 \$'000	2017 \$'000
Property, plant and equipment revaluation surplus	9,427	8,975

#### Movements in reserves:

#### Property, plant and equipment revaluation surplus

Balance at the beginning of the year	8,975	5,236
Gain on revaluation of freehold land and buildings (net of tax) *	452	3,739
Balance at the end of the year	9,427	8,975

\* Gross gain before tax of \$646,000 (2017: gain of \$5,342,000)

### (b) Retained profits

Retained profits at the beginning of the year	5,434	5,966
Profit for the year attributable to owners of the company	3,900	1,464
Dividend paid to shareholders	(2,020)	(1,996)
Retained profits at the end of the year	7,314	5,434

### (c) Nature and purpose of reserves

#### (i) Property, plant and equipment revaluation surplus

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(n). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

#### (ii) Available-for-sale asset revaluation surplus

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale assets revaluation surplus, as described in note 1(l). Amounts are recognised in profit or loss when the associated assets are sold or impaired.

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 20. Dividends

Dividends paid to members during the financial year were as follows:

	2018 \$'000	2017 \$'000
Fully franked (at 30%) final dividend of 3.25 cents per fully paid ordinary share paid on 15 September 2017 (2017: 3.3 cents per share)	1,193	1,169
Fully franked (at 30%) interim dividend of 2.25 cents per fully paid ordinary share paid on 12 March 2018 (2017: 2.25 cents per share)	827	827
	<u>2,020</u>	<u>1,996</u>
Proposed fully franked (at 30%) final dividend of 3.30 cents per fully paid ordinary share payable on 17 September 2018 (2017: 3.25 cents per share) not yet brought to account in the financial statements	1,211	1,194

### 21. Parent entity financial information

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 \$'000	2017 \$'000
<i>Statement of financial position</i>		
Current assets	-	-
Non-current assets	23,656	23,806
Total assets	<u>23,656</u>	<u>23,806</u>
Current liabilities	106	237
Total liabilities	<u>106</u>	<u>237</u>
<i>Shareholders' equity</i>		
Issued capital	21,812	21,812
Retained earnings	1,738	1,757
	<u>23,550</u>	<u>23,569</u>
Profit for the year	<u>2,000</u>	<u>2,000</u>
Total comprehensive income	<u>2,000</u>	<u>2,000</u>

#### (b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of the above facilities and borrowings which are secured by registered mortgages over the freehold properties of the subsidiaries.

No liability was recognised by the parent entity in respect of these guarantees, as the fair value of the guarantees is immaterial.

#### (c) Contingent assets and liabilities of the parent entity

The individual parent entity had no contingent assets or liabilities.

#### (d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no commitments for the acquisition of property, plant or equipment.

**Notes to the financial statements**

For the year ended 30 June 2018

(continued)

**22. Related party information****(a) Key management personnel remuneration**

	2018 \$	2017 \$
Short-term employee benefits	339,007	353,461
Long-term benefits	3,980	3,793
Post-employment benefits	27,762	28,606
	<u>370,749</u>	<u>385,860</u>

**(b) Transactions with related parties**

	2018 \$	2017 \$
Dividends paid to key management personnel	971,606	957,912
Subscription for new ordinary shares by key management personnel as a result of:		
- the reinvestment of dividends (note 18)	-	560,437
- paid in cash (note 20)	971,606	397,475

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

During the year, there were no transactions with related parties. No amount was owing to any related entity at 30 June 2018 (30 June 2017: Nil).

**23. Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Pitcher Partners, its related practices and non-related audit firms:

	2018 \$	2017 \$
Audit and review of financial reports	65,000	63,500
Tax compliance services	10,000	8,000
	<u>75,000</u>	<u>71,500</u>

It is the group's policy to employ Pitcher Partners on assignments in addition to their statutory audit duties where Pitcher Partners' expertise and experience with the group are important. It is the group's policy to seek competitive tenders for all major consulting projects.

**24. Contingent liabilities**

The group has no material contingencies.

**25. Commitments****(a) Operating leases**

The group leases an office and certain retail premises under non-cancellable operating leases expiring within two to five years.

	2018 \$'000	2017 \$'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:		
Within one year	116	199
Later than one year but not later than five years	117	177
Greater than five years	-	-
	<u>233</u>	<u>376</u>

**(b) Contractual Obligations**

As at 30 June 2018 the Group had contractual obligations totalling \$85,000 in respect of professional fees for the refurbishment of the Aspley Shopping Centre and Aspley Arcade Shopping Village. There were no contractual obligations to purchase, construct or develop property or for repairs, maintenance or enhancement in the prior period.

## Notes to the financial statements

For the year ended 30 June 2018

(continued)

### 26. Subsidiaries

The ultimate parent entity of the group is Eumundi Group Limited.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2018	2017
Eumundi Property Group Pty Ltd	Australia	Ordinary	100%	100%
Eumundi Group Hotels Pty Ltd	Australia	Ordinary	100%	100%
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%

\* The proportion of ownership interest is equal to the proportion of voting power held.

### 27. Reconciliation of profit for the year to net cash flow from operating activities

	2018 \$'000	2017 \$'000
Profit for the year	3,900	1,464
Depreciation and amortisation	1,195	1,024
Amortisation of loan establishment cost	7	-
Straight line rental adjustment	(94)	136
Rent incentive	(161)	96
Net gain on fair value adjustment of investment properties	(3,218)	(80)
Net gain (loss) on sale of plant and equipment	(1)	2
Changes in operating assets and liabilities (net of assets disposed):		
(Increase)/decrease in:		
Trade and other receivables	126	(121)
Inventories	226	(219)
Other current assets	69	59
Increase/(decrease) in:		
Trade and other payables	(23)	(693)
Accrued interest	94	61
Income tax payable	(131)	134
Deferred tax liability*	971	(136)
Employee benefits	22	(9)
Cash flows from operating activities	2,982	1,718

\* net of amounts recognised directly in equity and other comprehensive income.

### 28. Non-cash investing and financing activities

There were no non-cash financing and investing activities during the current year. During the prior year share issues were made under the company's DRP, as disclosed in note 18.

### 29. Earnings per share

(a) Basic & diluted earnings per share	2018	2017
Total basic & diluted earnings per share attributable to owners of the company	10.62¢	4.03¢
(b) Weighted average number of shares used as the denominator	Number of shares	
	2018	2017
Weighted average number of ordinary shares used in calculating basic earnings per share	36,723,117	36,353,439
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	36,723,117	36,353,439

There are no dilutive potential ordinary shares.

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## Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards, and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2018 required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



J M Ganim  
Director

Dated at Brisbane this 27<sup>th</sup> day of August, 2018.



# PITCHER PARTNERS

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## **Independent Auditor's Report To the Members of Eumundi Group Limited**

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Eumundi Group Limited, "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Ken Ogden  
Nigel Fischer  
Mark Nicholson

Peter Camenzuli  
Jason Evans  
Ian Jones

Kylie Lamprecht  
Norman Thurecht  
Brett Headrick

Warwick Face  
Nigel Batters  
Cole Wilkinson

Simon Chun  
Jeremy Jones  
Tom Splatt

James Field  
Daniel Colwell

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**Pitcher Partners is an association of independent firms**

Adelaide Brisbane Melbourne Newcastle Perth Sydney

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<b>Valuation of Properties Held</b>  <b><i>Refer to Notes 12: Property, plant and equipment; and Note 13: Investment Properties.</i></b>	
<p>The Group's property portfolio (included in Property, Plant and Equipment and Investment Property) is comprised of tavern and retail properties. As at 30 June 2018, these properties of \$62.3 million (2017: \$44.66 million) made up 93% (2017: 90%) of total assets of the Group.</p> <p>The properties are held at fair value at reporting date. This value is based on either an external independent valuation or, if the property is not externally valued at balance date, a directors' valuation based on the most recent external valuation, updated for any changes in circumstance relating to that property.</p> <p>These valuations contain a number of material inputs subject to key assumptions and management judgement. In particular, the key assumptions are forecasted future cash flows, vacancy rates, incentives and rebates to be granted in future periods and capitalisation rates, all of which also require management judgment. Judgement is also required in order to assess the impact of the broader economic environment, particularly future expected demand for tavern and retail property.</p> <p>It is due to the size of the balance and use of key assumptions and management judgement that this is a key area of audit focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Assessing the competence and qualifications of the external valuers and the directors involved in undertaking the directors' valuations;</li> <li>▪ Evaluating the valuation process including the valuation methodologies adopted; whether the methodologies meet relevant accounting requirements and industry norms;</li> <li>▪ On a sample basis, testing material inputs used in the valuations to actual and budgeted financial performance of the properties;</li> <li>▪ Evaluating the property valuations by performing an assessment of the appropriateness of material inputs subject to key assumptions and management judgement. In particular forecasted cash flows, vacancy rates, incentives and rebates to be granted in future periods and capitalisation rates;</li> <li>▪ Comparing the changes in material inputs in valuations from prior periods to ensure they are consistent with our knowledge and expectation of the specific property and the relevant market conditions; and</li> <li>▪ Evaluating the movements in capitalisation rates applied based on market data across the geographical region within which the Group operates.</li> </ul>

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

### *Responsibilities of the Directors for the Financial Report*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

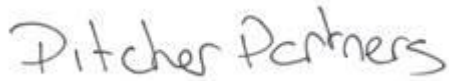
## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Eumundi Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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



PITCHER PARTNERS



NIGEL BATTERS  
Partner

Brisbane, Queensland  
27 August 2018

## Shareholder information

The shareholder information below was applicable as at 16 August 2018.

### A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Ordinary Shares	
1 – 1,000	171
1,001 – 5,000	218
5,001 – 10,000	33
10,001 – 50,000	54
50,001 – 100,000	9
100,001 – 500,000	23
500,001 – 1,000,000	7
1,000,001 and over	10
<b>525</b>	

There are 56 shareholders who hold less than a marketable parcel of ordinary shares in the company.

### B. Equity security holders

Twenty largest quoted equity security holders:

	Number held	Percentage
1. De Luca Group Superannuation Fund	6,191,438	16.86
2. Ganboys Pty Ltd	2,871,537	7.82
3. JP Morgan Nominees Australia Limited	2,562,352	6.98
4. Gansons Pty Ltd	2,407,336	6.56
5. Ganbros Pty Ltd	2,272,680	6.19
6. SCMS Pty Ltd – SJ Shoobridge S/F Account	1,994,364	5.43
7. Agpro Pty Ltd – Joe Ganim Super Fund	1,976,603	5.38
8. Wilhelm Super Fund Account	1,767,610	4.81
9. Mrs. Tracy Fraser A/C	1,410,215	3.84
10. Mrs. Tracy Fraser	1,265,107	3.44
11. Swancliffe Pty Ltd	783,557	2.13
12. Ruminator Pty Ltd	771,434	2.10
13. National Nominees Limited	686,883	1.87
14. Laicos Securities Pty Ltd – Fraser Family SF A/C	622,300	1.69
15. Mr Paul Ganim and Mrs Alison Ganim	585,414	1.59
16. Keiser Investments Pty Ltd – Gann Family Retirement Account	560,511	1.53
17. Mr Joseph Ganim	521,056	1.42
18. Keiser Shipping and Transport Pty Ltd	453,574	1.24
19. Rogand Superannuation Pty Ltd	346,121	0.94
20. Miek Pty Ltd – The Tutt Super Account	301,533	0.82
<b>Total</b>	<b>30,351,625</b>	<b>82.65</b>

### C. Substantial holders

Details of substantial shareholdings as notified to the company as at the above date are set out below:

	Number held	Percentage
De Luca Group Superannuation Fund	6,191,438	16.86
Mrs Tracy Fraser	3,297,622	8.97
Phoenix Portfolios Pty Ltd	3,136,238	8.54
Ganboys Pty Ltd	2,871,537	7.82
Gansons Pty Ltd	2,407,336	6.56
Ganbros Pty Ltd	2,272,680	6.19
SCMS Pty Ltd – SJ Shoobridge S/F Account	1,994,364	5.43
Agpro Pty Ltd – Joe Ganim Super Fund	1,976,603	5.38

### D. Voting rights

The voting rights attached to each class of equity securities are set out below:

- a) Ordinary Shares  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- b) Options  
No voting rights.