

ANNUAL REPORT

2017-2018



*Delivering affordable, caring
and inclusive communities*





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

FY2018 Highlights

92.9% ↑

FY18 Occupancy

up 3.3% on FY17 at 89.6%

17% ↑ FY18 \$6,942,000
FY17 \$5,931,000

increase on FY17

EBITDA from group's core operations

Supported Residential Facilities (SRFs)

Underperforming SRF, Amber Lodge in Adelaide sold in March 2018 with the sale of a second SRF facility, Lambert Village in Mount Gambier sold subsequent to year end.

A third SRF in Adelaide has received accreditation under the National Disability Insurance Scheme (NDIS) and is operating profitably. Eureka expects further profit gains in the coming year.

Corporate Governance

Eureka has strengthened its corporate governance procedures that are underpinned by the appointments of new independent Chair, Murray Boyte and Director, Sue Renkin who also assumed the role of independent Chair of the Audit and Risk Committee. Eureka also appointed Laura Fanning, an experienced corporate governance professional, as Company Secretary.

Finance Facility

Eureka has re-negotiated its banking arrangements, consolidating debt into one facility maturing in 3.5 years on 31 December 2021. This represents a two-year extension to the \$20million component of the facility demonstrating Eureka's excellent relationship with its bankers.

12.8% ↑

Growth in unit assets

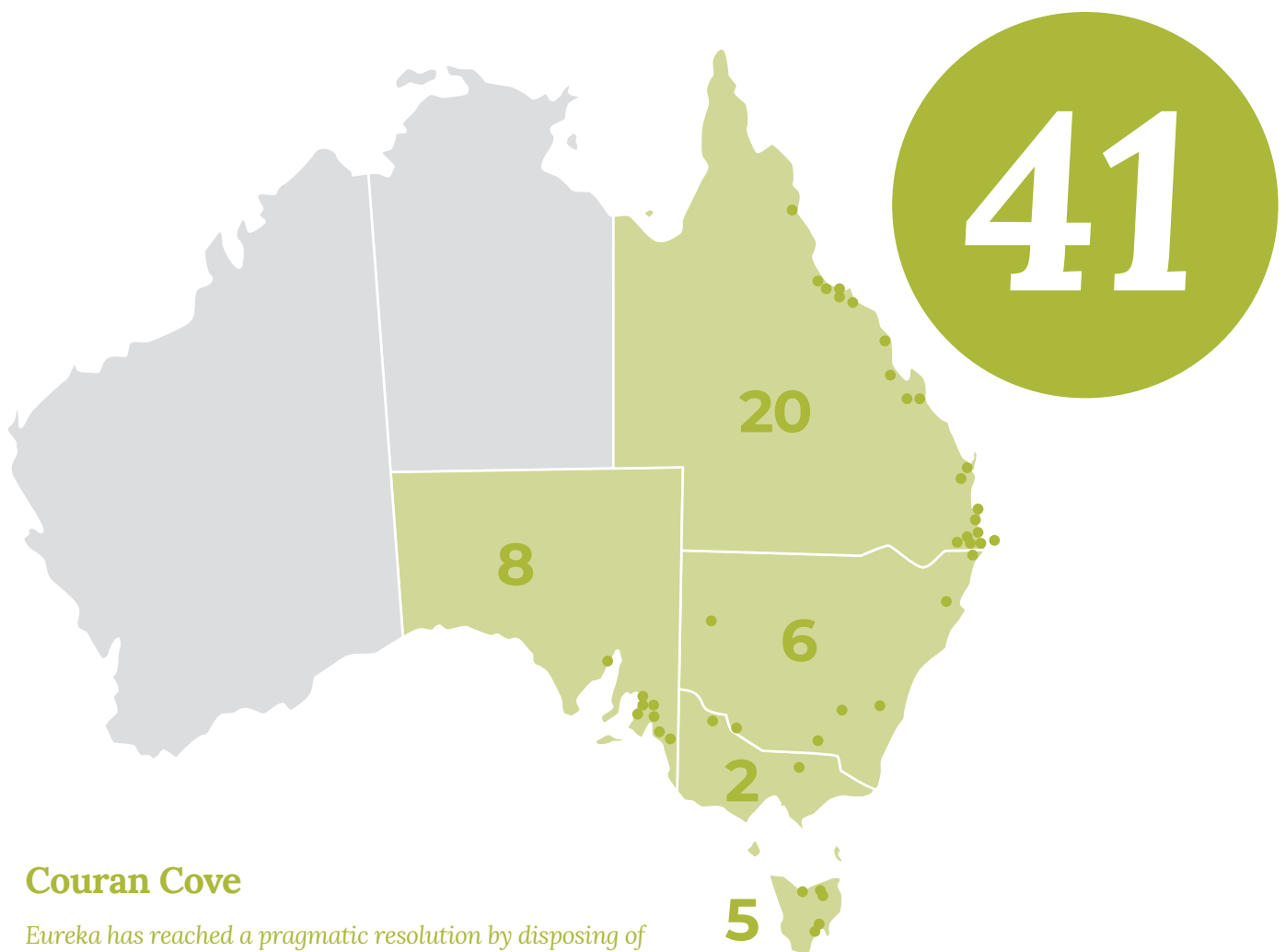
2,182 | 1,934
UNITS FY18 | UNITS FY17

**Eureka
brand expands
into Tasmania**

Now Operating in

5 Australian
States

Eureka has a strong platform to expand its business base through acquisitions and infill developments including at some existing Eureka villages. An excellent opportunity exists for Eureka to scale its platform of providing secure, safe and friendly residential accommodation in the social infrastructure segment of retirement living.



Couran Cove

Eureka has reached a pragmatic resolution by disposing of its property assets at Couran Cove subsequent to year end and retaining the right to recover value from the equitable land interest.

This transaction will return \$3.60 million cash scheduled for 6 September 2018 and will free up capital to redeploy to Eureka's core business activities.

32 Owned **9** under management

Executive Chairman's Report

Financial Review

While Eureka Group Holdings Limited (Eureka) has experienced a difficult year as reflected in the results set out within, the core operating business providing affordable senior rental accommodation and other services has performed strongly with an improved EBITDA. Excellent occupancy levels have been achieved across the portfolio. Eureka has acquired 8 new villages including 5 villages in conjunction with a joint venture partner and has secured a long term management contract with the joint venture.

The redeploying of capital into the core business can contribute to a substantial improvement in profitability off the existing capital base.

For the year ended 30 June 2018 Eureka Group Holdings Limited (Eureka) has reported a net loss before (and after) tax of \$0.28 million, compared with a 2017 profit before (and after) tax of \$6.54 million. These results were arrived at after property adjustments as follows:

	FY18 \$'000	FY17 \$'000
Gain on revaluation of investment properties	1,233	3,701
Write downs on Supported Residential Facilities	(2,672)	(2,655)
Inventory write down on Couran Cove Eco units and transaction costs	(1,124)	-
Write down for Couran Cove residual assets	(1,763)	-
	(4,326)	1,046

The year under review has been a disappointing one for shareholders:

- » Asset write downs and realised losses on property sales adversely impacting the results.
- » Core operating cash flow reduced as a result of expenditure at Couran Cove and Terranora.
- » Non-core assets including Terranora and Couran Cove, which during the period were recorded in the financial statements at \$20.00 million - \$24.00 million, have had a material detrimental effect on earnings and cash flow.

The Group's EBITDA¹ prior to property adjustments was \$7.05 million. This compares to the FY17 EBITDA¹ of \$8.37 million. These EBITDA¹ results include a number of items, which if adjusted for, demonstrate the strength in the Group's core business operations.





	FY18 \$'000	FY17 \$'000
EBITDA ¹ prior to gains and losses on revaluations and write-offs	7,054	8,369
Bartercard write-down/(gain)	253	(1,320)
Couran Cove consulting fees	-	(1,000)
Insurance gain	-	(638)
Director termination payments	-	520
CEO retirement payment	136	-
Profit on sale of Victoria St, Mackay	(501)	-
EBITDA¹ from core operations	6,942	5,931

Adjusted for the above items, EBITDA¹ from the Group's core operations increased by 17% over FY17. This was achieved as a result of a higher occupancy rate of 92.9% (FY17 89.6%), the acquisition of 3 villages, acquisition of 50% interest in the Tasmanian Joint Venture (2.5 months contribution only) and control of expenditure levels.

¹ EBITDA (Earnings before interest, tax, depreciation and amortisation) is a non-IFRS measure, however the directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

Net operating cash flow at \$2.94 million was 27.8% below FY17. Interest paid at \$2.78 million increased by 22% over FY17 with development costs at Terranora and Couran Cove negatively affecting operating cashflow of \$1.67 million (FY17 a \$1.30 million).

Bank debt increased by 9.5% to \$55.34 million (FY17 \$50.56 million). During the period Eureka complied with all bank covenants. In April 2018 the bank covenant for loan to value ratio was increased from 55% to 57.5% until September 30, 2018 to fund Eureka's \$4.50 million commitment to the joint venture established to acquire the Tasmanian villages. The improving cash flow and asset sales has meant Eureka has not exceeded the 55% limit. The realisation of proceeds from the settlement of Couran Cove transactions, Terranora land and unit sales and remaining Supported Residential Facility (SRF) assets will generate in excess of \$20.00 million that can be utilised for debt reduction and acquisitions.

Top left: Residents at Eureka Launceston Gardens

Top right: Residents at Eureka Glenorchy Gardens

Bottom right: Eureka Devonport Gardens manager, Donna Mackrell

Opposite page: Dining at Eureka Claremont Gardens

Subsequent to year-end, Eureka has re-negotiated its banking arrangements, consolidating the debt into one facility maturing in 3.5 years on 31 December 2021. This reflects a 2 year extension to the \$20.00 million component of the facility and demonstrates Eureka's excellent relationship with its bankers.

During the period, asset sales totalled \$3.90 million from the sale of the Mackay property, Amber Lodge Supported Residential Facility and ancillary assets.

Portfolio Occupancy

The occupancy performance for the 100% owned villages increased from 89.6% in FY17 to 92.9% in FY18. This is an excellent result achieved through a focused local market strategy including open days, close liaison with institutional and health care agencies and media sales programs. Eureka expects further occupancy improvement in FY19.

Acquisitions

During the period Eureka acquired 3 new villages for \$6.26 million, including acquisition costs:

\$'000			
July 2017	Gympie	42 units	4,282
August 2017	Townsville	12 units	880
August 2017	Ayr	18 units	1,095
72 units			6,257

Eureka also entered into a joint venture with a group of unrelated private investors to acquire five senior rental villages in Tasmania comprising 254 units. The 50% investment totalled \$4.50 million. Eureka entered into a 10 year management agreement with the joint venture.

At year end Eureka's portfolio comprised 32 owned villages (including owned through joint venture) and 9 villages under management representing 2,182 units, a 12.8% increase on FY17's 1,934 units.

Supported Residential Facilities (SRF)

During FY16 and FY17 Eureka acquired 3 SRFs in South Australia at a cost of \$11.76 million. The SRFs have not performed as expected, resulting in write downs of \$5.33 million over the last two years.

As the SRFs do not fit with Eureka's core senior rental village business, Amber Lodge in Adelaide was sold in March 2018 for written down book value of \$2.20 million and subsequent to year end, a contract has been entered into for the sale of the Lambert facility at Mount Gambier for \$1.10 million, in line with written down book value. The sale is conditional on a consent for the transfer of the SRF licence. Two properties owned adjacent to the facility have been put to market and will be sold separately with expected proceeds of \$0.70 million.

The third SRF in Adelaide has a book value of \$3.60 million. This facility has accreditation under the National Disability Insurance Scheme (NDIS). This facility is operating profitably, and we expect further improvement in the coming year.

Blue Care Alliance

In June 2016 Eureka and Uniting Church Queensland (Blue Care) entered into a strategic partnership that provided Eureka residents with a range of home services, offering preferred care and support programs enabled through government funding programs. These programs enhance the living environment provided through the Eureka senior rental accommodation model.





The partnership is consistent with Eureka's philosophy of delivering quality independent living communities that are safe, secure and well managed. It is also consistent with a growing national health trend enabling senior residents to participate in self-management of health under professional guidance. During FY18 the number of visits, hours and services delivered by Blue Care liaison officers increased significantly over FY17. While off a low base, the improved service delivery rates demonstrates the partnership is beneficial for the Eureka business model. Jointly Blue Care and Eureka management are committed to proactively expanding the partnership, including the acceleration of referrals to the Eureka villages.

Bartercard

Eureka has in recent years used Bartercard as a medium of exchange for business transactions including contracting to receive Bartercard dollars for a portion of sales at Terranora and the Couran Cove loan repayment. At balance date Eureka has T\$2.10 million Bartercard dollars, a portion of which is held as deposits for future receipt of goods. Eureka will no longer receive Bartercard dollars except for committed transactions under Terranora sales. The use of Bartercard dollars for the purchase of goods and services will be actively managed to reduce this exposure.

Bottom left: Resident at Eureka Cascade Gardens, Mackay, Qld

Bottom right: Eureka Murray River Gardens Mildura village manager, Collette Hazeldene helping a resident to master the internet

Above: Terranora Village

Terranora

Terranora Village and associated property was acquired in December 2015 for \$7.00 million.

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

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

Town planners were engaged and a subdivision plan, comprising the existing apartments plus surplus development land lots were designed, and an application was lodged with the Tweed Shire Council.

The property is now designed as a two lot subdivision in accordance with the final development approval. The previously identified third lot is now required to be transferred to the Body Corporate as common property. All conditions have been complied with to achieve titling of the two lot subdivision creating a separate title for the 4.8ha of vacant land. We expect to receive Tweed Shire Council confirmation for the subdivision in September enabling this component to proceed to titling.

Significant progress has been made in finalising certificates of compliance and meeting development approval conditions for the 61 strata title units situated on a separate title on completion of the two lot subdivision.

Despite the delay of the titling process, 12 conditional sales contracts (subject to titling) and 12 Expressions of Interest (EOIs) have been received. As soon as titling is achieved, the sales program will be accelerated. These contracts and EOIs approximate to \$6.98 million sale value.

Couran Cove

On 30 August 2018, Eureka released to the ASX an announcement on a settlement which Eureka has reached with Onterran Limited, Couran Cove entities and other parties pertaining to outstanding loans and property transactions.

The financial impact of the transactions on asset values and transactions costs is included in the financial statements. The details of these transactions are specifically set out in the financial statements note 34.

The settlement of the Couran Cove issues is a pragmatic resolution given the financial challenges that are being faced by Onterran Limited. While it is not entirely satisfactory due to the asset write downs and losses incurred on this investment, the independent directors are of the view this settlement is in the long term interests of Eureka and is the best outcome in the circumstances.

Outlook

The completion of the Couran Cove transaction and expected finalisation of titling for the 61 apartments at Terranora in the next few months has, and will continue to free up capital to redeploy in the core business and as a consequence contribute to improved returns on the existing capital base.

The Eureka senior rental accommodation business is capable of generating satisfactory returns on capital employed. Management focus will be on improving operations at the village level, streamlining support services, cost reductions, evaluating and implementing upgraded financial and operating systems to exploit operating efficiencies and improved reporting.

The Board is mindful that debt levels are at the high end of the range considered acceptable. The Group's business model, however, which is based on building a steady, sustainable cashflow from a profitable asset base, can support a level of debt to fund the acquisition and expansion program.

Eureka has a strong platform to expand its business base through acquisitions and infill developments including at some existing Eureka villages. An excellent opportunity exists for Eureka to scale its platform of providing secure, safe and friendly residential accommodation in the social infrastructure segment of retirement living. The accommodation and other services needs of Australia's ageing population continues to grow. Eureka's affordable senior rental living model is well placed to capitalise on supplying services to the growing number of Australians reaching retirement with few or no assets, together with the baby boomer segment moving into retirement in significant numbers.

Directors and staff

The Company is implementing improvements in its corporate governance practices and will continuously undertake to ensure best practice is achieved.

I was appointed Chairman of Eureka in November 2017. Mr Robin Levison stepped down as Chairman and remained on the Board until his retirement on 29 March 2018.

Sue Renkin was appointed a Director in November 2017 and immediately assumed Chair of the Audit and Risk Committee. I thank all Directors for their contribution and effort during the year under review.

Laura Fanning was appointed Company Secretary on June 28, 2018. Ms Fanning has broad listed company finance and secretarial experience including in risk management and corporate governance.

We have a short-list of excellent candidates for the position of Chief Executive Officer and expect to announce an appointment in September 2018. This appointment will provide leadership to our management team and enhance the focus on the FY19 business plan to achieve improved financial returns for shareholders.

The Chief Executive Officer Mr Jeff Weigh retired on May 31, 2018 for personal reasons. I then assumed the role of Executive Chairman and will remain in that position until a new Chief Executive Officer is appointed. An extensive search has been conducted through an independent search consultant. I thank all staff for their contribution and effort during a difficult period. It is very much appreciated.

To our shareholders, your Board and management are committed to expediently finalising the asset restructuring program. Eureka is well placed for the profitable expansion of its operating platform that will underpin increased shareholder value on a sustainable basis in the future.



Murray Boyte

Executive Chairman
31 August 2018

*Pictured right: Eureka Devonport
Gardens, Tasmania*



FY2018 Acquisitions

Eureka Group Holdings continued its strategy of investing in core property assets to build on its business model and deliver financial returns to investors.

During FY17-18, EGH added a further eight seniors' rental villages to its portfolio, numbering an additional 326 units and associated onsite facilities. This also included the company expanding its operations into Tasmania through a 50% joint venture with a group of private investors in which EGH has existing business relationships.

The Tasmanian joint venture was settled in April 2018 and comprises the purchase of five new villages in Devonport, Launceston and Hobart with EGH also providing management services at each village.



Freshwater Villas

Gympie, Queensland

Eureka Freshwater Villas contains 42 units within short driving distance to retail, entertainment and medical facilities. The village has additional land that can accommodate further residential units.

Units: 42 (plus vacant land)

Facilities: Communal dining, kitchen, community room and reception/manager's office



Koinonia Village

Ayr, North Queensland

Eureka purchased the 18-unit Koinonia Village in Ayr from Blue Care in August 2017. Eureka Koinonia Village is conveniently located close to Ayr's town centre with hospital, retail and recreational facilities within a short driving distance from the village.

Units: 18



Galilee Lodge

Townsville, North Queensland

Located in the suburb of South Townsville, Eureka Galilee Court is a small independent seniors' village comprised of 12 self-contained one-bedroom units. The village was purchased from Blue Care in August 2017 and has vacant land to develop further units.

Units: 12 (plus vacant land)

Facilities: Community room

* Eureka holds 50% ownership in five Tasmanian seniors' village assets through a joint venture that includes the provision of management services at each property.



Devonport Gardens

*Devonport, Tasmania **

Featuring 51 self-contained units, Eureka Devonport Gardens is centrally located close to the Devonport CBD with medical, retail and service facilities nearby.

Units: 51

Facilities: Communal dining, kitchen, community room and reception/manager's office



Launceston Gardens

*Launceston, Tasmania **

Eureka Launceston Gardens comprises 55 self-contained units affording residents easy access to public transport, medical, retail and service facilities.

Units: 55

Facilities: Communal dining, kitchen, community room and reception/manager's office



Elphinwood Gardens

*Launceston, Tasmania **

Eureka Elphinwood Gardens is located within short travelling distance to Launceston's CBD and features 55 one-bedroom units.

Units: 55

Facilities: Communal dining, kitchen, community room and reception/manager's office



Claremont Gardens

*Hobart, Tasmania **

Eureka Claremont Gardens is a secure gated seniors' community containing 51 units located close to the Derwent River and parklands and is within easy access to retail, medical and service facilities.

Units: 51

Facilities: Communal dining, kitchen, community room and reception/manager's office



Glenorchy Gardens

*Hobart, Tasmania **

Eureka Glenorchy Gardens is located within Hobart's northern suburbs. The 42-unit village has panoramic views to Mount Wellington and offers residents access to a range of health and retail facilities nearby.

Units: 42

Facilities: Communal dining, kitchen, community room and reception/manager's office



“Julie and Rob did their utmost to make mum’s transition to her new unit as seamless as possible ... Mum is settling in well and has enjoyed meeting new people and has loved being part of the social club. From a family point of view, it is nice to be able to have lunch with mum in the community room ... I feel that this has been a positive move for mum.”

Donna Greenhouse, daughter of a resident living at Eureka Elphinwood Gardens, Launceston

“We’ve got a really good village here where residents can choose to be as social or as private as they wish...independent living is the key here but it’s good to know there are neighbours who’ve grown to become great friends who keep an eye out for each other.”

Dot Jensen, resident at Eureka Care Communities, Rockhampton



"I believe that Eureka Myall Place ticks all the boxes in delivering a caring and safe living environment where residents can choose to be as social as they want, while also respecting the privacy of others."

Another really important reason for me choosing to live here is my dear little 8-year-old spaniel dog, EJ. Eureka is pet friendly and I know how special pets are to their elderly owners."

Cecelia (Bubs) Hancock, resident at Eureka Myall Place, Whyalla

"My mother has found a home here. We are thankful that we know she has people who look out for her, (and) found friends she enjoys life with. My mum likes quality when it comes to meals and the staff bend over backwards to cater to her food restrictions. So happy knowing that the transition from our family home to Eureka was a great move."

Diane Clark, daughter of a resident at Eureka Cascade Gardens, Mackay



Clockwise from top left: Resident from Eureka Devonport Gardens; Eureka Care Communities Wulguru; Eureka Claremont Gardens; Resident and pooch from Eureka Glenorchy Gardens; Eureka Care Communities Condon; Patsy and Puss from Eureka Mount Gambier Retirement Village; Sun-filled sitting room at Eureka Launceston Gardens.



Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the "Company", "EGH" or "Eureka") and its controlled entities (the "Group", or the "Consolidated Entity") for the year ended 30 June 2018.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Murray Boyte	Appointed 24 November 2017
Sue Renkin	Appointed 24 November 2017
Nirmal Hansra	
Lachlan McIntosh	
Robin Levison	Resigned 29 March 2018

PRINCIPAL ACTIVITIES

The principal activities of EGH include:

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

REVIEW OF OPERATIONS AND RESULTS

The Group has reported a loss for the year of \$0.28 million (2017: profit of \$6.54 million). The Group's core assets have performed strongly and achieved an overall increase in occupancy, revenue growth from existing and acquired villages and cost reductions. However, asset revaluations, write-downs and realised losses on non-core property assets totalling \$4.33 million (2017: gain of \$1.05 million) have adversely impacted the results.

A summary of the Group's performance is shown in Table 1.

Table 1: Performance Summary

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Revenue - rental	15,674	14,826
- catering and service fees	6,036	5,980
- other	864	3,247
Other income including share of joint venture profit	810	1,374
Total Revenue and other income (excluding revaluation gains)	23,384	25,427
Expenses from operations	(16,330)	(17,058)
EBITDA ¹ prior to asset revaluations and write-offs	7,054	8,369
Net gain/(loss) on revaluation of investment property	(1,439)	1,046
Loss on revaluation of assets associated with Couran Cove investment ²	(1,763)	-
Couran Cove inventory write down and transaction costs ²	(1,124)	-
EBITDA ¹	2,728	9,415
Finance costs	(2,753)	(2,606)
Depreciation and amortisation	(251)	(271)
Profit/(loss) before tax	(276)	6,538

¹ EBITDA (Earnings before interest, tax, depreciation and amortisation) is a non-IFRS measure however, the directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements.

² Further details about the Couran Cove investment are provided in Note 9.

As shown in Table 1, the Group's EBITDA prior to asset revaluations and write-offs, was \$7.05 million (2017: \$8.37 million).

Directors' Report

Eureka now owns 32 villages and has 9 villages under management, representing 2,182 units (2017: 1,934 units).

Financial Position

Key financial information in relation to the Group's financial position at year end is shown below:

		Consolidated	
		30 June 2018	30 June 2017
Total Assets	\$'000	133,300	128,534
Net assets	\$'000	74,700	74,867
Working capital (current assets less current liabilities)	\$'000	16,327	11,872
Cash and cash equivalents	\$'000	1,986	4,395
Debt	\$'000	55,337	50,556
Shares on issue	'000	230,038	229,672
Earnings per share (basic and diluted)	cents	(0.12)	2.84
Net tangible assets per share	cents	29.8	29.8

Significant balance sheet movements during the financial year were as follows:

- Total assets increased by \$4.77 million, primarily due to the acquisition of 3 villages and Eureka's 50% investment in a joint venture for another 5 villages.
- Total liabilities increased by \$4.93 million due to a net increase in borrowings (\$4.78 million) which partly funded the above acquisitions.
- Working capital increased by \$4.46 million, due the reclassification of properties from Investment Property to Inventory (Terranora and Couran Cove) and Assets held for sale (Lambert Village).
- Cash reduced by \$2.41 million, primarily as a result of the acquisitions during the year. However, cash flow from operations was negatively impacted by non-core and underperforming assets including Terranora and Couran Cove.

Further details on changes in the Group's financial position are provided below.

Acquisitions

The following villages were acquired during the year for \$6.26 million (including transaction costs) and meet the Group's target performance hurdle rates for village and associated management rights performance:

- Freshwater Villas in Gympie - July 2017
- Galilee Lodge in Townsville - August 2017
- Koinonia Village in Ayr - August 2017

Eureka invested \$4.50 million to acquire a 50% interest in a joint venture that acquired 5 villages in Tasmania for a total purchase price of \$18.00 million. The acquisition of the villages was funded by a \$9.90 million bank loan in the joint venture and cash contributed by the joint venture partners. EGH also issued \$100,000 of EGH shares to its joint venture partner to secure the management rights of the 5 Tasmanian villages.

In addition, the Group spent \$3.10 million on enhancing existing properties through capital additions.

Disposals

During the 30 June 2018 financial year, the Group divested its Victoria St, Mackay property and Amber Lodge, one of the Group's supported residential facilities in Adelaide, for combined sales proceeds of \$3.40 million.

The Group received \$0.31 million in sale proceeds from the disposal of a number of gaming licenses during the year.

Couran Cove

Subsequent to year end, Eureka reached agreement with Onterran Ltd, Couran Cove entities and other parties pertaining to outstanding loans and property transactions.

The financial impact of the transaction on asset values and transaction costs is included in the financial statements with details outlined in Note 34, Subsequent Events.

Directors' Report

Terranora

Eureka continues to work through the extensive list of Council conditions for the Development Approval for the subdivision and strata titling of the Terranora project.

Completion of the two lot subdivision in accordance with the final development approval is nearing completion. The previously identified third lot is now required to be transferred to the body corporate as common property. All conditions have been complied with to achieve titling of the two lot subdivision creating a separate title for the 4.8ha of vacant land. We expect to receive Tweed Shire Council confirmation for the subdivision in September enabling this component to proceed to titling.

Significant progress has been made in finalising certificates of compliance and meeting development approval conditions for the 61 strata title units which will be situated on a separate title on completion of the two lot subdivision. Despite the delay of the titling process, 12 conditional sales contracts (subject to titling) and 12 Expression of Interests have been achieved. As soon as titling is received, the sales program will be accelerated.

Capital management – debt & equity

Debt

Bank debt increased from \$50.56 million to \$55.30 million to fund the above village acquisitions. The Group was in compliance with all banking covenants during the year. Subsequent to year end, the Group consolidated its NAB debt into one facility, which matures on 31 December 2021. This represents a two year extension for \$20.00 million of the facility.

Equity

The following changes in equity occurred during the year:

- The Company issued 365,715 ordinary shares in consideration for securing the management rights associated with the Tasmanian villages, as noted above. In 2017, 5.263 million shares were issued as part of a capital raising.
- The on-market share buy-back was extended until 16 March 2019 but no shares were bought back and cancelled during the year (2017: 1,375,950 shares).
- 1,500,000 options (2017: nil) and 878,465 performance rights (2017: nil) were issued as detailed in the Remuneration Report. 500,000 options and 319,375 performance rights remain outstanding at 30 June 2018 after the others lapsed during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group, other than those addressed in the Directors' Report and in Note 34 Subsequent Events.

DIVIDENDS

No dividends have been paid during the year (2017: \$nil). No dividends are recommended for the financial year ended 30 June 2018.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the 2019 financial year, the Board will remain committed to disposing of the Group's non-core and underperforming assets. The sale of the Lambert facility and the partial realisation of the Couran Cove investment will free up capital to redeploy in the core business. Achieving the approvals necessary for the issuing of titles at Terranora, and subsequent unit sales, is a major focus for the Group.

Eureka will continue to pursue growth of its seniors' rental accommodation platform through village acquisition, infill developments and the active management of its existing portfolio. Management focus will be on improving operations and profitability at the village level, streamlining support services, cost reductions, evaluating and implementing upgraded financial and operating systems to gain operating efficiencies and improved reporting.

The Company regularly reviews its management rights portfolio and will seek to extend its management rights contracts where possible.

Eureka is in the final selection stages for a new Chief Executive Officer to replace recently retired Jeff Weigh, and expects to announce the appointment of a new Chief Executive Officer in September 2018.

Directors' Report

MATERIAL BUSINESS RISKS

The Board is committed to monitoring and mitigating business risks faced by the Group, including the following key risks that have the potential to materially impact its financial prospects:

- Acquisition risk – acquiring villages has and will continue to be a source of growth for the Group. Identifying properties that meet the Group's target performance hurdle rate, and sit within the risk appetite set by the Board, is critical to the Group's performance. The Group's Board and management is experienced in acquiring properties and will conduct comprehensive analysis and due diligence as part of its acquisition process.
- Changes in Government funding (pension and rent assistance) – the Group provides affordable rental accommodation to seniors and many of the villages' residents are reliant on government funding in the form of pensions or rent assistance. An adverse change in government funding, may have a direct impact on village occupancy, profitability and asset values. The Group manages its village and support office costs having regard to occupancy levels.
- Demand for non-core products – the Group has exposure to non-core properties at Terranora and Couran Cove. The Group's successful exit from these properties is dependent on achievement of approvals and/or unit sales occurring at forecast values within an acceptable timeframe.

SUBSEQUENT EVENTS

Details of events that occurred after the end of the financial year are contained in Note 34. These transactions include a material restructure of the Couran Cove investment, the sale of the Lambert village and an extension of the NAB debt facility.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

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

Name:	Murray Boyte
Title:	Independent non-executive Chairman - 24 November 2017 to 29 April 2018 Executive Chairman - 30 April 2018 (ongoing)
Qualifications:	Murray holds a Bachelor of Commerce and Administration from the Victoria University in Wellington and is a member of the Australian Institute of Company Directors, the Institute of Directors of New Zealand and Chartered Accountants Australia & New Zealand.
Experience & expertise:	Murray has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. In addition, Murray has held executive positions and Directorships in the transport, horticulture, financial services, investment, health services and property industries. He was the Chief Executive Officer of ASX listed Ariadne Australia Limited from 2002 to 2015.
Other listed company directorships:	Abano Healthcare Group Limited (NZX) and National Tyre & Wheel Limited (ASX: NTD).
Former directorships (last 3 years)	Unity Pacific Group (ASX: UPG)
Special responsibilities:	Chair of the Board from 24 November 2017, Member of Audit & Risk Committee from 28 June 2018, Member of Nomination & Remuneration Committee from 28 June 2018
Interests in shares:	Nil
Interests in options:	Nil

Directors' Report

Name:	Robin Levison
Title:	Non-Executive Chairman - 1 July 2017 to 23 November 2017 Non-Executive Director 24 November 2017 to 29 March 2018
Qualifications:	Robin holds a Masters of Business Administration from the University of Queensland and is a Member of Chartered Accountants Australia and New Zealand.
Experience & expertise:	Robin has 15 years of Public Company Management experience. During this time he served as Managing Director at Industree Limited and Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin is also a Deputy Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, and is a Graduate and Fellow of Australian Institute of Company Directors.
Other listed company directorships:	PPK Group Limited
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of the Board to 23 November 2017
Interests in shares:	As per Remuneration Report for the period Robin was a director.
Interests in options:	Nil
Name:	Lachlan McIntosh
Title:	Non-Executive Director
Qualifications:	Lachlan has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand.
Experience & expertise:	He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.
Other listed company directorships:	Onterra Limited.
Former directorships (last 3 years)	Nil
Special responsibilities:	Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee.
Interests in shares:	11,916,166
Interests in options:	Nil
Name:	Nirmal Hansra
Title:	Non-Executive Director
Qualifications:	Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, Fellow of the Governance Institute of Australia, Fellow of Chartered Accountants Australia and New Zealand and Fellow of Australian Society of Certified Practising Accountants.
Experience & expertise:	He has over 35 years of senior executive management experience and 12 years of board and corporate advisory experience. During this time Nirmal had roles as Chief Financial Officer/Finance Director of listed companies such as Industree Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited. Nirmal is Chair of Campbell Page Limited and non-executive director of Kuringai Financial Services Limited, Link Housing Limited, Council of the Ageing (COTA) in New South Wales, Children's Tumour Foundation of Australia Limited and Have A Voice Pty Limited. Recently he has been appointed Independent Member of the Audit & Risk Committee for the Department of Finance, Services and Innovation and the Property & Advisory Group of the NSW Government.
Other listed company directorships:	Nil
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of Nomination & Remuneration Committee, Member of Audit & Risk Committee
Interests in shares:	839,834 shares
Interests in options:	Nil

Directors' Report

Name:	Sue Renkin
Title:	Non-Executive Director (appointed 24 November 2017)
Qualifications:	Sue Renkin holds a Master of Business Administration from Monash University, a Graduate Diploma in Corporate Governance from UNE and attended Harvard Business School for a course on Competition and Strategy.
Experience & expertise:	Sue enjoyed almost thirty years as CEO for private hospitals, emergency services and not for profit entities. She now operates a portfolio career as a non-executive director and executive coach and mentor. Sue is a past National Telstra Business Woman of the year. She is the current Chairman of Southern Metropolitan Cemeteries Trust, a Director of GMHBA Limited, member of the Global Leadership Board International Women's Forum, Chairman of Monash Bio Medical Research Institute and a member of the GJK Facility Services Advisory Board.
Other listed company directorships:	Nil
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of Audit & Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

COMPANY SECRETARIES

Paul Cochrane – Chief Financial Officer and Company Secretary

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

Laura Fanning – Company Secretary (appointed 28 June 2018)

Laura is a Chartered Secretary and Chartered Accountant with more than 20 years' financial, governance and commercial experience. Laura is currently the Company Secretary at National Tyre & Wheel Limited and has previously held Chief Financial Officer and Company Secretary roles at National Veterinary Care Limited and Unity Pacific Group Limited, as well as senior management positions in other listed and unlisted companies. She has gained broad financial and secretarial experience across several industries including funds management, property, veterinary services, wholesale distribution and franchising.

DIRECTORS AND MEETINGS ATTENDED

The number of meetings of the Company's Board of Directors ('the Board') and of each Board Committee held during the year, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Murray Boyte	8	8	2*	2*	-	-
Robin Levison	6	6	1*	1*	3*	3*
Lachlan McIntosh	10	9	3	3	4	4
Nirmal Hansra	10	9	3	2	4	4
Sue Renkin	8	8	2	2	1*	1*

*Attended by invitation

¹ Number of meetings held while a director during the financial year

Directors' Report

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Eureka Group Holdings Limited's non-executive directors', executive directors and other key management personnel ("KMP") of Eureka Group Holdings Limited for the year ended 30 June 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

This remuneration report has been set out under the following headings:

- a) Principles of compensation of key management personnel
- b) Details of remuneration
- c) Non-executive director remuneration policy
- d) Service agreements
- e) Relationship between remuneration and Company performance
- f) Remuneration consultants
- g) Equity Instruments held by Key Management Personnel
- h) Loans to/from Key Management Personnel
- i) Other transactions with Key Management Personnel

(a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel comprise remuneration determined having regard to industry practice and the need to obtain appropriately qualified independent persons. Compensation aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation, and
- transparency.

The Nomination & Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility and the Company's financial performance.

Remuneration comprises the following:

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

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared in relationship between the benefits contained in the employment agreements and the Company's performance in the 2018 financial year.

Remuneration details for certain individuals are described at (d).

Short term incentives (STIs)

Bonus payments are payable to management based on achievement of agreed performance hurdle (threshold) criteria including:

- Profitability;
- Occupancy targets;
- Successful outcomes on Couran Cove and Terranora transactions; and
- Business growth.

Directors' Report

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

Long term incentives (LTIs)

The Company introduced a new Long Term Incentive (LTI) (Omnibus Equity Plan) plan granting share rights and options to the Chief Executive Officer and Chief Financial Officer, which commenced from 23 November 2017.

Share rights

Rights were issued at face value having regard to the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results.

A total of 878,465 share rights were issued during this period representing 45% of total fixed remuneration for the Chief Executive Officer and 35% of total fixed remuneration for the Chief Financial Officer. 559,090 share rights lapsed upon the retirement of the Chief Executive Officer.

The 319,375 remaining share rights are divisible into two tranches of equal value, both tranches being subject to the company's shares achieving a total shareholder return compared to the constituents of All Ordinaries Small Cap index excluding companies in the materials, industrials, energy and utilities sectors. Tranche 1 and Tranche 2 will be tested following the announcement of the company's result for the year ending 30 June 2020 and 2021 respectively using a 10 day VWAP. The share rights progressively vest over 3 and 4 years.

Options

A total of 1,500,000 share options were granted during the period to the Chief Executive Officer and Chief Financial Officer. 1,000,000 options lapsed upon the retirement of the Chief Executive Officer.

The options were granted for a 4.5 year period and are exercisable from 23 November 2021. The exercise price is \$0.33 representing the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results. These options will be capable of vesting 3 years from the grant date subject to the share price being at 75c or greater on 10 trading days in any 20 sequential trading days following the grant date. While the share price hurdle may be met, these options can only be exercised upon completion of 4 year employment service.

If an executive resigns or is terminated, any LTI awards (whether or not those awards have vested) are forfeited.

(b) DETAILS OF REMUNERATION

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

Name	Role	Period in role/s
Murray Boyte	Non-Executive Chair/Executive Chair	24/11/2017 – ongoing
Nirmal Hansra	Non-Executive Director	24/04/2012 – ongoing
Robin Levison	Chair/Non-Executive Director	24/12/2013 – 29/03/2018
Lachlan McIntosh	Non-Executive Director	20/07/2009 – ongoing
Sue Renkin	Non-Executive Director	24/11/2017 – ongoing
Paul Cochrane	Chief Financial Officer	28/06/2017 – ongoing
Jeff Weigh	Chief Executive Officer	07/02/2017 – 31/05/2018

Directors' Report

Key management personnel remuneration for the year ended 30 June 2018 and 30 June 2017:

	Short term		Post employment	Share based payments	Termination benefits	Total	Performance related	% of bonus that was achieved
	Salary/ fees	Bonus	Super-annuation				%	
	\$	\$	\$	\$	\$	\$		
30 June 2018								
Directors								
Murray Boyte ¹	86,407	-	8,209	-	-	94,616	-	-
Nirmal Hansra	60,000	-	-	-	-	60,000	-	-
Robin Levison ²	70,000	-	-	-	-	70,000	-	-
Lachlan McIntosh	60,000	-	-	-	-	60,000	-	-
Sue Renkin ³	31,823	-	3,023	-	-	34,846	-	-
Directors Total	308,230	-	11,232	-	-	319,462		
Executives								
Paul Cochrane	278,779	77,568	25,924	11,997	-	394,268	20%	74%
Jeff Weigh ⁴	342,744	215,880	35,886	-	136,667	731,177	30%	74% ⁸
Executives Total	621,523	293,448	61,810	11,997	136,667	1,125,445		
Total	929,753	293,448	73,042	11,997	136,667	1,444,907		
30 June 2017								
Directors								
Robin Levison	120,000	-	-	-	-	120,000	-	-
Lachlan McIntosh	50,000	-	-	-	-	50,000	-	-
Nirmal Hansra	50,000	-	-	-	-	50,000	-	-
Greg Rekers ⁵	159,389	65,000	-	-	-	224,389	29%	100%
Kerry Potter ⁵	159,389	65,000	-	-	-	224,389	29%	100%
Directors Total	538,778	130,000	-	-	-	668,778		
Executives								
Jeff Weigh ⁴	134,097	-	9,335	-	-	143,432	-	-
Ryan Maddock ⁶	193,151	17,908	19,053	-	-	230,112	8%	100%
Paul Cochrane ⁷	-	-	-	-	-	-	-	-
Executives Total	327,248	17,908	28,388	-	-	373,544		
Total	866,026	147,908	28,388	-	-	1,042,322		

¹ Murray Boyte commenced as key management personnel on 24 November 2017; Executive Chair from 29 April 2018.

² Robin Levison ceased as key management personnel on 29 March 2018.

³ Sue Renkin commenced as key management personnel on 24 November 2017.

⁴ Jeff Weigh commenced as key management personnel on 7 February 2017, retired on 31 May 2018.

⁵ Greg Rekers and Kerry Potter ceased as key management personnel on 8 February 2017.

⁶ Ryan Maddock ceased as key management personnel on 30 June 2017.

⁷ Paul Cochrane commenced as key management personnel on 28 June 2017.

⁸ During the period Jeff Weigh was paid a discretionary bonus of \$65,000. The nature of this bonus being discretionary has no total potential amount to be achieved and therefore is not included in the average presented above.

Directors' Report

(c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. An increase to the total non-executive directors' fee pool limit was approved at the November 2017 Annual General Meeting. The maximum currently stands at \$450,000 in aggregate which provides the Board with flexibility to appoint additional directors to broaden the skill base of the Board collectively.

The following fees have applied during the year:

Base fees	Annual fee \$
Murray Boyte – Non-Executive Chair ¹	120,000
Robin Levison – Non-Executive Chair	120,000
Robin Levison – Non-Executive Director	60,000
Nirmal Hansra – Non-Executive Director	60,000
Lachlan McIntosh – Non-Executive Director	60,000
Sue Renkin – Non-Executive Director	60,000

¹ In addition to non-executive director fees, \$18,000 per month will be paid for the period he is an Executive Chair effective 30 April 2018.

(d) SERVICE AGREEMENTS

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director. Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the other key management personnel are also formalised in service agreements.

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

Jeff Weigh (Chief Executive Officer)

Agreement Commenced 7 February 2017 (retired on 31 May 2018)

Term of the Agreement:

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

Details:

Mr Weigh's remuneration comprised a base salary of \$374,430 plus 9.5% superannuation and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives equal to 50% of his base salary and a long-term incentive. In addition, as agreed with the Board, Mr Weigh would be paid 4 months of fixed remuneration following his retirement. \$136,667 including 9.5% superannuation has been included in Employee Benefits expense in relation to this payment. Mr Weigh was responsible for the overall management of the Group and reported to the Chair of the Board.

Paul Cochrane (Chief Financial Officer)

Agreement Commenced 28 June 2017

Term of the Agreement:

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

Details:

Mr Cochrane's remuneration comprises a base salary of \$275,000 plus 9.5% superannuation and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives equal to 35% of his base salary and long-term incentive equal to 35% of his base salary. In addition, the Board have approved that in the event of termination of employment arising from the change of control during the 3 years from the date of employment, the Company will pay 6 months of fixed remuneration. Mr Cochrane is responsible for the finance division and the accounting and finance functions of the Company and its associated companies.

Directors' Report

(e) RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following table shows the revenue, net profit before tax, earnings per share, share price and dividend per share for the past 5 years of the Company.

	2018	2017	2016	2015	2014
Total Revenue and Income \$'000	23,384	26,473	24,155	12,213	10,662
Net Profit/(loss) before tax \$'000	(276)	6,538	10,467	3,105	661
EBITDA \$'000	2,728	9,415	12,468	4,129	1,512
Earnings per share (cents per share)	(0.12)	2.84	5.19	2.24	0.80
Share price at year end	0.28	0.37	0.79	0.51	0.12
Dividend per share	0.00	0.00	0.00	0.00	0.00

(f) REMUNERATION CONSULTANTS

The Group utilised the services of remuneration consultants (Egan Associates Pty Ltd) during the 2018 financial year, at a total cost of \$38,115. The services were in relation to advice and recommendation on the establishment of the Eureka Omnibus Equity Plan and reviewing the Executive Chair's remuneration.

(g) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

Shares held

The numbers of securities held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance 1 July 2017	Shares acquired	Ceased employment	Balance 30 June 2018
Directors				
Robin Levison ¹	12,905,000	25,000	(12,930,000)	-
Lachlan McIntosh	11,916,166	-	-	11,916,166
Nirmal Hansra	839,834	-	-	839,834
Murray Boyte	-	-	-	-
Sue Renkin	-	-	-	-
Executives				
Jeff Weigh ²	400,000	-	(400,000)	-
Paul Cochrane	-	-	-	-
Total	26,061,000	25,000	(13,330,000)	12,756,000

¹ Ceased to be key management personnel on 29 March 2018

² Retired on 31 May 2018

Options held

Details of options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period, are set out below. The vesting conditions are set out in Note 26. No options vested during the financial year.

	Number of options granted during 2018	Grant date	FV at grant date per option	Exercise price per option	Expiry date	% forfeited in the year	Financial year in which option vests	Financial years in which option exercisable
KMP								
Jeff Weigh ¹	1,000,000	23-Nov-17	\$0.0144	\$0.33	23-May-22	100%	-	-
Paul Cochrane	500,000	23-Nov-17	\$0.0144	\$0.33	23-May-22	-	2022	2021-2022
Total	1,500,000							

¹ Retired on 31 May 2018 and as a result the options lapsed.

Directors' Report

Share rights held

Details of share rights over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period, are set out below.

	Number of share rights granted during 2018	Grant date	FV at grant date per share right (Tranche 1)	FV at grant date per share right (Tranche 2)	Exercise price per share right	Expiry date	Number of share rights vested during 2018
KMP							
Jeff Weigh ¹	559,090	23-Nov-17	\$0.207	\$0.138	-	31-Dec-23	-
Paul Cochrane	319,375	23-Nov-17	\$0.207	\$0.138	-	31-Dec-23	-
Total	878,465						-

¹ Retired on 31 May 2018 and as a result the share rights lapsed.

Value of options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management personnel is detailed below.

Options granted	Value of options granted in the year	Value of options exercised in year	Value of options lapsed in the year
KMP			
Jeff Weigh ¹	\$14,419	-	(\$14,419)
Paul Cochrane	\$7,210	-	-
	\$21,629	-	(\$14,419)

¹ Retired on 31 May 2018

Value of share rights

The movement during the reporting period, by value, of share rights in the Company held by each key management personnel is detailed below.

Share rights granted	Value of share rights granted in the year	Value of share rights exercised in year	Value of share rights lapsed in the year
KMP			
Jeff Weigh ¹	\$96,523	-	(\$96,523)
Paul Cochrane	\$55,138	-	-
	\$151,661	-	(\$96,523)

¹ Retired on 31 May 2018

Share rights

The number of share rights granted to key management personnel during the financial year was 878,465 share rights.

	Number of share rights granted
KMP	
Jeff Weigh	559,090
Paul Cochrane	319,375
	878,465

Directors' Report

Reconciliation of options and share rights held by key management personnel

The table below shows a reconciliation of options held by each KMP during the financial year.

	Balance at start of year		Granted as compensation				Balance at end of year	
	Vested	Unvested		Vested	Exercised	Forfeited	Vested and exercisable	Unvested
KMP								
Jeff Weigh ¹	-	-	1,000,000	-	-	(1,000,000)	-	-
Paul Cochrane	-	-	500,000	-	-	-	-	500,000
Total	-	-	1,500,000	-	-	(1,000,000)	-	500,000

¹ Retired on 31 May 2018

The table below shows how many share rights were granted, vested and forfeited during the year.

	Balance at start of year	Granted during year	Vested	Forfeited	Balance at end of year (unvested)
KMP					
Jeff Weigh ¹	-	559,090	-	(559,090)	-
Paul Cochrane	-	319,375	-	-	319,375
Total	-	878,465	-	(559,090)	319,375

¹ Retired on 31 May 2018

(h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

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

(i) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Griffith Scenic Village Pty Ltd

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$6,263 on commercial terms (2017: \$8,203). As at 30 June 2018 the amount outstanding from Griffith Scenic Village Pty Ltd was \$nil (2017: \$nil).

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid \$22,178 for Manager's unit rental fees on commercial terms (2017: \$22,178). As at 30 June 2018 the amount outstanding to Griffith Scenic Village Pty Ltd was \$nil (2017: \$nil).

Leisure Living Gladstone Pty Ltd

Leisure Living Gladstone Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$14,846 on commercial terms (2017: \$10,320). As at 30 June 2018 the amount outstanding from Leisure Living Gladstone Pty Ltd was \$nil (2017: \$nil).

Leisure Living Gladstone Pty Ltd, an entity associated with Lachlan McIntosh, was paid \$29,229 for Manager's unit rental fees on commercial terms (2017: \$29,229). As at 30 June 2018 the amount outstanding to Leisure Living Gladstone Pty Ltd was \$nil (2017: \$nil).

22 Resolution Pty Ltd

During the year, 22 Resolution Pty Ltd, an entity associated with Lachlan McIntosh, was paid \$nil in consulting fees (2017: \$206,250). At 30 June 2018, the amount outstanding to 22 Resolution Pty Ltd was \$nil (2017: \$nil).

This concludes the remuneration report, which has been audited.

Directors' Report

SHARES UNDER OPTION & PERFORMANCE RIGHTS

There were 500,000 unissued ordinary shares of Eureka Group Holdings Limited under option and 319,375 performance rights on issue as at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During or since the end of the financial year, the Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Group paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

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 intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditors in the current or prior period.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

There are no officers of the Company who are former partners of Ernst & Young.

ROUNDING OF AMOUNTS

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 81.

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Murray Boyte
Executive Chair

Dated in Brisbane this 31st day of August 2018.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
		30 June 2018	30 June 2017
	Note	\$'000	\$'000
Revenue	3	22,574	24,053
Share of profit of a joint venture	13	172	-
Other income	3	638	2,420
Expenses			
Village operating costs		(11,910)	(12,796)
Impairment – trade receivables		-	(126)
Loss on revaluation of investment property and other assets		(1,692)	-
Couran Cove inventory write down and transaction costs	7	(1,124)	-
Write down of other assets associated with Couran Cove	9	(1,763)	-
Employee benefits expenses		(1,884)	(1,339)
Finance expense	4	(2,753)	(2,606)
Marketing expenses		(136)	(205)
Consultancy expenses		-	(653)
Depreciation & amortisation expenses	4	(251)	(271)
Lease expenses	4	(280)	(201)
Other expenses		(1,867)	(1,738)
Profit/(loss) before income tax expense		(276)	6,538
Income tax expense	5	-	-
Profit/(loss) after income tax expense		(276)	6,538
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		(276)	6,538
Basic and diluted earnings per share (cents per share)	25	(0.12)	2.84

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2018

		Consolidated	
		30 June 2018	30 June 2017
		\$'000	\$'000
	Note		
Current Assets			
Cash and cash equivalents	21	1,986	4,395
Trade and other receivables	6	2,402	2,632
Inventories	7	11,783	7,649
Other assets	9	1,469	1,623
Loans receivable	11	72	76
		17,712	16,375
Assets held for sale	8	1,750	-
Total current assets		19,462	16,375
Non-Current Assets			
Loans receivable	11	456	501
Joint Venture Investment	13	4,672	-
Other assets	9	1,237	3,000
Investment property	14	100,756	100,666
Property, plant and equipment	15	682	1,665
Intangible assets	16	6,035	6,327
Total non-current assets		113,838	112,159
Total Assets		133,300	128,534
Current Liabilities			
Trade and other payables	17	2,709	2,660
Other financial liabilities	19	163	1,554
Provisions	18	263	289
Total current liabilities		3,135	4,503
Non-current liabilities			
Other financial liabilities	19	55,320	49,019
Provisions	18	145	145
Total non-current liabilities		55,465	49,164
Total Liabilities		58,600	53,667
Net Assets		74,700	74,867
Equity			
Share capital	20	94,352	94,255
Equity reserve	20	12	-
Accumulated losses		(19,664)	(19,388)
Total Equity		74,700	74,867

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

Consolidated Statement of Cash Flows

AS AT 30 JUNE 2018

		Consolidated	
	Note	30 June 2018 \$'000	30 June 2017 \$'000
Cash Flows from Operating Activities			
Receipts from customers		24,849	24,277
Payments to suppliers & employees (1)		(19,144)	(17,987)
Interest received		8	49
Interest paid		(2,777)	(2,266)
Net Cash provided by/(used) in Operating Activities	21(b)	2,936	4,073
Cash Flows from Investing Activities			
Payments for additions to investment properties		(8,704)	(15,719)
Payments for property, plant & equipment		(30)	(302)
Payments for Joint Venture investment		(4,500)	-
Proceeds from sale of assets held for sale		2,200	-
Proceeds from sale of investment property		1,335	-
Proceeds from the sale of intangible assets		312	171
Payments made to sell intangible assets		-	(10)
Payments for loans provided		-	(561)
Repayments of loans provided		85	67
Payment of residential obligation loans		(832)	(246)
Payments for intangible assets		-	(849)
Net Cash provided by/(used) in Investing Activities		(10,134)	(17,449)
Cash Flows from Financing Activities			
Proceeds from borrowings		9,425	9,848
Repayment of borrowings		(4,559)	(1,667)
Payments of transaction costs related to borrowings		(75)	(440)
Proceeds from share issues	20	-	3,948
Payments for share buy back	20	-	(523)
Payments for share issue and buy back transaction costs		(2)	(236)
Net Cash provided by/(used in) Financing Activities		4,789	10,930
Net increase/(decrease) in cash and cash equivalents		(2,409)	(2,446)
Cash and cash equivalents at the beginning of the financial year		4,395	6,841
Cash and cash equivalents at the end of the financial year		1,986	4,395

(1) Included in cash payments during the year ended 30 June 2018 was an amount of \$1.67 million for capitalised development costs on inventory held at Terranora and Couran Cove to prepare the inventory for sale.

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Share Capital \$'000	Consolidated Accumulated Losses \$'000	Equity Reserves \$'000	Total \$'000
For the year ended 30 June 2018				
Balance at 1 July 2017	94,255	(19,388)	-	74,867
Profit/(loss) for the year	-	(276)	-	(276)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss) for the year	-	(276)	-	(276)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	100	-	-	100
Share based payments	-	-	12	12
Capital raising costs	(3)	-	-	(3)
Balance at 30 June 2018	94,352	(19,664)	12	74,700
For the year ended 30 June 2017				
Balance at 1 July 2016	90,860	(25,926)	-	64,934
Profit for the year	-	6,538	-	6,538
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	6,538	-	6,538
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	3,948	-	-	3,948
Share buy back	(523)	-	-	(523)
Capital raising costs	(30)	-	-	(30)
Balance at 30 June 2017	94,255	(19,388)	-	74,867

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1. INTRODUCTION

Eureka Group Holdings Limited (covering the financial statements of Eureka Group Holdings Limited and all of its subsidiaries) ("EGH" or the "Group" or the "Consolidated Entity") for the year ended 30 June 2018 is a company incorporated and domiciled in Australia. EGH is a for-profit entity for the purposes of preparing the financial statements.

The Group's operations and principal activities comprise ownership and property management of Independent Living Communities.

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

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

The financial report was authorised for issue on 31 August 2018 by the Directors.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

Compliance with IFRS

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

New, revised and amended Accounting Standards adopted by the Group

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

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

Historical cost convention

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

CONSOLIDATION

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

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2018 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

REVENUE RECOGNITION

Rent Revenue

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

Management, Property Maintenance, Catering and Service Fees

The Group is entitled to receive a fee from unit owners for managing the units under management services agreements. The Group also receives a fee from the tenants of the units for the provision of property maintenance, catering and other services. The Group also provides property consulting services to third parties for agreed fees. Revenue is recognised when the services are provided.

Interest Revenue

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established. Certain transactions undertaken involve the exchange of assets. Where an exchange of assets is undertaken which has commercial substance and appropriate measurement can be made, acquired assets are measured at fair value and assets exchanged are derecognised at their carrying value. Any differences are recorded in the profit and loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the differences relating to investments in subsidiaries to the extent that it is probable that it will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities have formed a tax-consolidation group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation group is Eureka Group Holdings Limited.

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

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

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidation group to the extent that it is probable that future taxable profits of the tax-consolidation group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

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

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

INVESTMENT PROPERTY

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

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

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

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

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

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

INVESTMENT IN JOINT VENTURE

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

PROPERTY PLANT & EQUIPMENT

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

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

INTANGIBLE ASSETS

Only intangible assets that have been purchased or paid for by the Group are recognised in the accounts. Internally generated intangibles such as management rights on Communities that the Group has constructed are not recognised in the accounts.

Management rights and letting rights have a finite life and are carried at the lower of cost or recoverable amount. The management rights and letting rights are amortised using the straight line method over 40 years being the estimated useful life (for strata-titled villages), or over the period of the management right contract (for single-owner villages).

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

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

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

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

IMPAIRMENT OF ASSETS

Financial Assets

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

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

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

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

Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Except for goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FAIR VALUE MEASUREMENT

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of the disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid at that date. The amounts are unsecured and are generally settled within 30-60 days.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

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

EMPLOYEE BENEFITS

Short-term Employee Benefits

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities, and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on-costs. Sick leave is non-vesting and is expensed as paid.

Long-term Employee Benefits

The liabilities for annual leave and long service leave expected to not be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given for expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as at the reporting date on corporate bond rates with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

Share based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

PROVISIONS

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

RETIREMENT VILLAGE RESIDENT LOANS

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

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

FINANCE COSTS

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

GOODS AND SERVICES TAX

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

Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

LEASES

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

DIVIDENDS

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

CAPITAL MANAGEMENT

The Group considers its share capital and accumulated losses as capital. When managing capital, the objective is to ensure the Group continues as a going concern, as well as to maintain optimum returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group does not have any specific capital targets and nor is it subject to any external capital restrictions. The Board and Senior Management meet regularly and review in detail the current cash position and cash flow forecasts having regard to planned expansions and take the necessary action to ensure sufficient funds are available.

CONTRIBUTED EQUITY

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

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

EARNINGS PER SHARE

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Goodwill

The Group tests annually, or more frequently, if events or changes in circumstances indicate impairment on whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 16 for further information.

Amortisation of Management Rights

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

For strata-titled villages where management rights are attached, the Group amortises its management rights over a period of 40 years (being the estimated useful life). The amortisation period used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. In determining the useful life, the Group considered the expected usage of the assets, the legal rights over the asset and the renewal period of the management right agreements. The management rights are attached to each individual village's property and include options or the ability to renew the contract. Taking these points into consideration, the Directors believe the amortisation period should be similar to the life of the property rather than agreement period.

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

Investment Property – Classification

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

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

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

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

Investment Property – Measurement

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

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

Fair value measurement hierarchy

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

Option over property

Options over property are initially measured at cost. Subsequent to acquisition options continue to be recorded at cost, however are tested for impairment on an annual basis. Impairment is tested by reference to the assessed value of the underlying property assets or final cash settlement alternatives. Impairment losses are recorded as incurred. Refer to Note 9 for significant assumptions made in the assessment of impairment for these assets.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Recovery of Deferred Tax Assets

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

Recovery of Other Receivables

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

PARENT ENTITY

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33. The accounting policies of the parent entity are consistent with those of the Group, as disclosed above, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.

Financial Guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

COMPARATIVES

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments includes requirements for the classification, measurement and de-recognition of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is applicable to the Group from 1 July 2018. The new requirements are not expected to impact the classification and measurement of the Group's existing financial assets. However, the impact of the application of the standard is continuously being monitored by the Group, and the Group expects to conclude on the impact in due course.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

AASB 15 Revenue from Contracts with Customers

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

The Group has undertaken an analysis of how AASB 15 should be implemented. This analysis has been performed in respect of revenue from the following major business activities being:

- a) Provision of accommodation and food services;
- b) Property maintenance and consulting services, and
- c) Care services.

In respect to revenue from contracts with residents for the provision of accommodation and food, revenue will continue to be recognised as and when accommodation and food is provided, as this is when the Group transfers control of this service (satisfies its performance obligation).

In respect to revenue from management and caretaking services, revenue will continue to be recognised as and when the Group performs the agreed services, as this is when the Group transfers control of this service (satisfies its performance obligation).

When AASB 15 is adopted in the year ended 30 June 2019, entities are required to select either the modified retrospective approach (comparatives are not restated) approach or the full retrospective (comparatives are restated) approach. Given there is no change to the measurement and recognition criteria, there is no difference between the two approaches for the Group.

In respect to revenue from the provision of care services, revenue will continue to be recognised as and when the Group provides the accommodation and care services in accordance with the care plan, as this is when the Group transfers control of this service (satisfies its performance obligation).

The Group's existing disclosure meets the requirements under AASB 15 in respect of the disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cashflows are effected by the economic factors. Any new agreements for the provision of goods and services will be assessed as they arise throughout the year ended 30 June 2019 and beyond.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. The key features of AASB 16 are as follows:

Lessee accounting

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

The consolidated entity will adopt this standard from 1 July 2019. Existing operating leases and any entered into during the year ending 30 June 2019 will be brought onto the balance sheet. Final impact is yet to be determined.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

3. REVENUE

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Revenue		
Catering – managed properties	2,193	1,992
Catering – owned properties	2,081	2,146
Service fees	1,762	1,842
Property maintenance and consulting services	864	1,833
Rental income	15,674	14,826
Other revenue	-	1,414
	<u>22,574</u>	<u>24,053</u>
Other Income		
Interest revenue	41	172
Net gain on revaluation of investment property and other assets to fair value	-	1,046
Gain on sale of investment property	501	(10)
Gain on sale of intangibles	60	-
Insurance claim revenue	-	1,007
Other income	36	205
	<u>638</u>	<u>2,420</u>

4. ITEMS INCLUDED IN PROFIT/(LOSS)

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

Flood damage expense	-	519
Rental expense relating to operating leases		
- Minimum lease payments	280	201
Finance cost		
- Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,753	2,606
Total finance cost	<u>2,753</u>	<u>2,606</u>
Amortisation		
- Management rights	134	137
- Rent rolls	4	3
- Website	2	2
Total amortisation	<u>140</u>	<u>142</u>
Depreciation		
- Plant & equipment	81	101
- Buildings	16	17
- Motor vehicles	14	11
Total depreciation	<u>111</u>	<u>129</u>
Defined contribution superannuation expense	431	421

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

5. INCOME TAX

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

Consolidated Statement of Profit or Loss

	Consolidated 30 June 2018 \$'000	30 June 2017 \$'000
Current income tax	-	-
Deferred income tax	-	-
Income tax expense reported in the Statement of Profit or Loss	-	-

A reconciliation of tax expense and the accounting profit/(loss) multiplied by the applicable tax rate of 30% presents as follows:

Accounting profit/(loss) before tax	(276)	6,538
Income tax calculated at 30%	(83)	1,961
Tax effect of permanent differences – non deductible land option amounts	533	1
Recognition of deferred tax assets not previously recognised	(450)	(1,962)
Income tax expense reported in the Statement of Profit or Loss	-	-

6. TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2018 \$'000	30 June 2017 \$'000
Trade debtors (i)	132	382
Other debtors	186	400
Couran Cove receivable (i)	2,260	1,939
Provision for doubtful debts	(176)	(89)
	2,402	2,632

(i) Refer to Note 9 – amounts relating to Couran Cove previously classified as trade debtors and financing extended were transferred to other non-current assets upon execution of the agreement between the Group and the parties to these amounts. The amount transferred was \$3.00 million during year ended 30 June 2017. This reduced the amount receivable by \$3.00 million.

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

The amounts advanced in relation to the Couran Cove receivable are secured over assets of the third party. Subsequent to 30 June 2018 the nature of these receivables changed as disclosed in Note 34. There are no provisions recorded against these amounts receivable for the reasons disclosed in Note 34. Other Couran Cove assets are described in Notes 7 and 9.

7. INVENTORIES

Catering inventory – at cost	12	7
Terranora units	9,771	7,642
Couran Cove units	2,000	-
	11,783	7,649

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

The Terranora units were transferred from investment property in 2016 and were recognised at the date of transfer at fair value which, as inventory, is considered deemed cost. During 2018, intention to sell the manager's residence was formed. Therefore, the residence was transferred from investment property during the year at fair value (\$400,000). The costs of additional development are capitalised to the inventory as incurred.

The Couran Cove units transferred from investment property during the year were recognised at the date of transfer at fair value. The units were written down by \$0.83 million during the year to a net realisable value of \$2.00 million as a result of the post balance date transaction described in Note 34. Associated with the Couran Cove transaction the Group also incurred legal and other costs of \$0.29 million. These costs combined with the unit write down resulted in a total expense of \$1.12 million.

Inventory is recorded at the lower of cost and net realisable value. The inventory is expected to be realised within 12 months via sales to third parties.

8. ASSETS HELD FOR SALE

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Assets held for sale	1,750	-
	<u>1,750</u>	<u>-</u>

This asset comprises the Lambert Village and two residential houses in Mt Gambier. A contract for the sale of Lambert Village in Mt Gambier was executed on 20 August 2018 for \$1.10 million. In accordance with the terms of the contract, settlement is due on 30 November 2018. The two residential houses are expected to be realised within 12 months.

9. OTHER ASSETS

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Property Deposits	-	204
Prepayments and other assets (ii)	842	781
Bartercard (iii)	627	638
	<u>1,469</u>	<u>1,623</u>
Non-current		
Other (i)	1,237	3,000
	<u>1,237</u>	<u>3,000</u>

(i) Couran Cove Land Option

Position at 30 June 2018

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

The land which was the subject of the option has a development approval for 60 lots. The land is adjacent to the cabins already owned by the Group at Couran Cove. The option was exercisable individually for up to 60 lots during the option period. At the conclusion of the three year term, for any lots for which an option had not been exercised, the Group was to receive a settlement in cash. Settlement was to be based on the number of unexercised lots as a % of the 60 lots, applied to a \$3.00 million value.

The option was acquired with effect from 31 December 2016 for \$3.00 million and the nature of the asset at 30 June 2018 is an Other non-current asset which is measured at cost and tested for impairment.

The acquisition of the option described above for \$3.00 million was in lieu of the receipt of cash for the settlement of consultancy fees, trade and other loan amounts as disclosed in Note 6.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

As part of this transaction, the Group had also retained the upside potential of this asset by having been granted an entitlement right to 30% of the proceeds of the sale of certain Couran Cove management and infrastructure rights in 3 years by the current owner.

Valuation at 30 June 2018

The asset has been assessed for impairment at 30 June 2018, having regard to the post balance date transaction described in Note 34. The Group has considered the expected cash flows to be received from the asset and discounted these to their present value to determine the recoverable value of the asset. This has resulted in the value of the asset being written down to \$1.24 million at 30 June 2018. This is an impairment charge of \$1.76 million which has been recorded in the profit and loss at 30 June 2018.

The significant assumptions made in the calculation of this amount are as follows. Any changes in these assumptions which are detrimental to the cash flow would cause further impairment.

Input	Assumption
Sales price per lot	Selling price of between \$50,000 and \$45,000 less legal and other costs of realisation.
Discount rate pre tax	35%
Expected time frame of realisation	Progressive settlements through to late 2022.

Position post 30 June 2018

Post 30 June 2018 the Group entered into amended agreements with respect to this asset. These details are disclosed in Note 34 to the financial statements. Under the terms of these amended agreements the Group has concluded the recorded value at 30 June 2018 of \$1.24 million reflects the assets recoverable value.

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

(iii) Bartercard is an alternative currency and operates as a trade exchange. Bartercard is a subsidiary of ASX listed IncentiaPay Ltd. EGH has utilised Bartercard over recent years. At 30 June 2018, the Bartercard balance is \$0.63 million, which is recorded at cost. In addition, amounts of Bartercard have been advanced to suppliers in exchange for future supply of goods. These are recorded at the fair value of goods to be received and are disclosed in other assets \$0.47 million and Investment Properties \$0.75 million. EGH intends to utilise Barter in ongoing expenditure and receive part proceeds from sales of Terranora units already contracted.

10. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Recognised in the Statement of Financial Position		
<i>Deferred tax assets</i>		
Tax losses	4,330	4,741
<i>Deferred tax liabilities</i>		
Intangible assets	-	-
Investment properties, property, plant and equipment	(5,049)	(4,528)
Net (assessable) and deductible differences on sundry items	719	(213)
Net deferred tax assets/liability opening balance adjustment	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Not recognised in the Statement of Financial Position

Unrecognised deferred tax assets

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Tax losses		
Net (assessable) and deductible differences on sundry items	-	-
Net unrecognised deferred tax assets	4,205	3,968

Reconciliation of Unrecognised tax balances

Opening unrecognised amounts	3,968	6,589
Recognition of temporary differences	-	-
Recognition and use of tax losses	(181)	(2,621)
Adjustment to prior period balances	418	-
Total movement	237	(2,621)
Closing balance	4,205	3,968

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

11. LOANS RECEIVABLE

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Loans – vendor finance	528	577
	528	577
Current	72	76
Non-current	456	501
	528	577

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

Vendor finance loans have maturity dates of between 5 and 8.1 years and interest is payable on these loans at a rate of between 5.50%-6.25%.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

12. INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Equity Holding	
		30 June 2018 %	30 June 2017 %
Compton's Caboolture Pty Ltd	Australia	100%	100%
Compton's Villages Australia Unit Trust	Australia	100%	100%
Easy Living (Bundaberg) Unit Trust	Australia	100%	100%
Easy Living Unit Trust	Australia	100%	100%
ECG No. 1 Pty Ltd	Australia	100%	100%
EGL Finance Pty Ltd	Australia	100%	100%
Elizabeth Vale Scenic Village Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%
Eureka Care Communities (Morphetville) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 2) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 3) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Salisbury) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Wynnum) Pty Ltd	Australia	100%	100%
Eureka Care Communities Unit Trust	Australia	100%	100%
Eureka Cascade Gardens Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Albert Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Ayr) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Belgian Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Bowen) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Broken Hill) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Cairns) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Couran Cove) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Gladstone) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Lismore) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Margate) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Orange) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Southport) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Terranora) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Tivoli) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Townsville) Pty Ltd	Australia	100%	100%
Eureka Group Care Pty Ltd	Australia	100%	100%
Eureka Property Pty Ltd	Australia	100%	100%
Eureka Whitsunday Pty Ltd	Australia	100%	100%
Fig Investments Pty Ltd	Australia	100%	100%
Eureka Living Pty Ltd	Australia	100%	100%
Rockham Two Pty Ltd	Australia	100%	100%
Rockham Unit Trust	Australia	100%	100%
SCV Leasing Pty Ltd	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
SCV No. 1 Pty Ltd	Australia	100%	100%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

13. JOINT VENTURE INVESTMENT

On 9 April 2018, the Group entered into a Joint Venture (JV) for a 50% interest in both Affordable Living Services Unit Trust and Affordable Living Unit Trust. The JV owns 5 retirement villages in Tasmania. The Group's interest in the JV is accounted for using the equity method in the consolidated financial statements. The accounting policies adopted by the JV are consistent with the Group's accounting policies. Summarised financial information of the JV, based on management accounts, and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of Affordable Living Services Unit Trust:

	30 June 2018 \$'000	30 June 2017 \$'000
Current assets, including cash and cash equivalents	497	-
Non-current assets, including investment properties of \$18.77 million	18,776	-
Current liabilities, including long term borrowings of \$0.30 million	(381)	-
Non-current liabilities, including long term borrowings of \$9.55 million	(9,550)	-
Equity	9,342	-
Group's share in equity – 50%	4,671	-
Group's carrying amount of the investment	4,671	-

Summarised statement of profit or loss of Affordable Living Services Unit Trust:

	30 June 2018 \$'000	30 June 2017 \$'000
Revenue	807	-
Cost of Sales	(358)	-
Finance costs	(107)	-
Profit before tax	342	-
Income tax expense	-	-
Profit for the year	342	-
Total comprehensive income for the year	342	-
Group's share of profit for the year	171	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Summarised statement of financial position of Affordable Living Unit Trust:

	30 June 2018 \$'000	30 June 2017 \$'000
Current assets, including cash and cash equivalents	210	-
Non-current assets, including investment properties	-	-
Current liabilities	(208)	-
Non-current liabilities	-	-
Equity	2	-
Group's share in equity – 50%	1	-
Group's carrying amount of the investment	1	-

Summarised statement of profit or loss of Affordable Living Unit Trust:

	30 June 2018 \$'000	30 June 2017 \$'000
Revenue	102	-
Cost of Sales	(100)	-
Finance costs	-	-
Profit before tax	2	-
Income tax expense	-	-
Profit for the year	2	-
Total comprehensive income for the year	2	-
Group's share of profit for the year	1	-

14. INVESTMENT PROPERTY

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Investment properties at fair value	100,756	100,666
Movements in investment properties:		
Balance at beginning of reporting period	100,666	86,472
Acquisitions	6,257	9,029
Disposals	(791)	(171)
Subsequent expenditure	3,104	4,290
Transfer to inventory – Couran Cove cabins	(2,747)	-
Transfer to inventory – Terranora Manager's residence	(400)	-
Transfer to assets held for sale	(3,894)	-
Net increment/(decrement) due to fair value adjustment	(1,439)	1,046
Balance at end of reporting period	100,756	100,666

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

Independent valuations have been received during the current period for 36% of the portfolio. At 30 June 2018, the Group undertook a review of the fair value of all investment properties held and as shown in the table above, recorded a decrement due to fair value adjustment. This adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed in Note 23.

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

Fair value hierarchy disclosures for investment properties have been provided in Note 23.

Amounts recognised in profit or loss for investment properties:

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Rental income	15,674	14,826
Direct operating expenses generating rental income	(9,596)	(10,630)
Net gain/(loss) revaluation of investment property to fair value	(1,439)	1,046

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Certain assets are however pledged as security for borrowings – Refer to Note 19(a).

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying amount	Carrying amount
			30 Jun 18 \$'000	30 Jun 17 \$'000
Koinonia Village	Ayr QLD	Aug-17	1,245	-
92 Primrose Street Belgian Gardens	Belgian Gardens QLD	Jun-16	1,364	1,000
61 Marana Street Bilambil Heights	Bilambil Heights NSW	Dec-15	2,300	2,700
Bowen Village	Bowen QLD	Dec-15	1,523	1,434
Broken Hill Village	Broken Hill NSW	Dec-16	1,979	1,990
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	5,250	4,988
Lot 21 134-136 King Street Caboolture	Caboolture QLD	Sep-12	-	70
Lot 43 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	May-14	268	268
53 & 54 134 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	-	140
80 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	265	265
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,610	4,952
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	299	260
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	5,237	4,693
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	4,350	3,900
Rockhampton Village 1	Frenchville QLD	Oct-15	3,054	3,201
Rockhampton Village 2	Frenchville QLD	Dec-15	5,485	5,674
15/8 Wicks Street, New Auckland	Gladstone QLD	Sept-16	50	50
Freshwater villas	Gympie QLD	Jul-17	4,367	-
Lot 49 Hackham Community Centre (manager's unit)	Hackham SA	Oct-14	266	294
Lot 97 144 Main South Road Hackham	Hackham SA	May-15	285	294
33 Mardross Court Lavington	Lavington NSW	Jun-15	4,034	3,457

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Property	Location	Acquisition date	Carrying amount 30 Jun 18 \$'000	Carrying amount 30 Jun 17 \$'000
Lismore Village	Lismore NSW	May-15	5,000	4,751
Cascade Gardens Mackay	Mackay QLD	Apr-14	8,493	7,897
176 Victoria Street Mackay	Mackay QLD	Mar-17	-	547
43 Macdonnell Court Margate	Margate QLD	Jun-16	4,187	3,900
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	4,052	3,352
Lambert Village	Mt Gambier SA	Sept-15	-	2,408
10 Wyatt Street	Mt Gambier SA	Aug-16	-	350
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	3,830	3,862
Amber Lodge	Morphettville SA	Jun-16	-	2,593
Albert Street Gardens Village	Orange NSW	Sept-16	5,318	5,599
Alexam Place	Salisbury East SA	Feb-16	3,656	4,527
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	4,138	3,868
7 Meron Street Southport	Southport QLD	Jun-16	4,219	4,190
Couran Cove	South Stradbroke Island QLD	Jun-16	-	2,747
Lot 6,8,9,20,21&22 56A Moores Pocket Road Tivoli	Tivoli QLD	Mar-15	535	535
Galilee Lodge	Townsville QLD	Aug-17	917	-
Myall Place Retirement Village	Whyalla SA	Jan-15	4,340	4,013
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,090	5,147
Investment Property Enhancements	In Progress	June-17	750	750
			100,756	100,666

15. PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Buildings at cost	625	625
Accumulated depreciation	(191)	(174)
	434	451
Plant & equipment at cost	345	1,973
Accumulated depreciation	(134)	(827)
	211	1,146
Motor Vehicles at cost	54	88
Accumulated depreciation	(17)	(20)
	37	68
Total property, plant & equipment	682	1,665

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Reconciliation of movements in property, plant & equipment:

	Buildings \$'000	Plant & Equipment \$'000	Motor Vehicle \$'000	Total \$'000
Opening balance at 1 July 2016	466	687	79	1,232
Additions at cost	2	560	-	562
Depreciation expense	(17)	(101)	(11)	(129)
Closing balance at 30 June 2017	451	1,146	68	1,665
Opening balance at 1 July 2017	451	1,146	68	1,665
Additions at cost	-	35	-	35
Disposals	-	(890)	(17)	(907)
Depreciation expense	(17)	(80)	(14)	(111)
Closing balance at 30 June 2018	434	211	37	682

16. INTANGIBLE ASSETS

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Management rights – at cost	4,695	4,682
Accumulated amortisation	(1,258)	(1,211)
Carrying amount of management rights	3,437	3,471
Rent rolls – at cost	140	140
Accumulated amortisation	(42)	(38)
Carrying amount of rent rolls	98	102
Other intangibles – at cost	577	830
Accumulated amortisation	(32)	(31)
Carrying amount of other intangibles	545	799
Goodwill	1,955	1,955
Total intangible assets	6,035	6,327

The Group's primary business activity is the management (through management rights agreements) of senior's rental accommodation throughout Australia. The Group's primary intangible assets are management rights and goodwill. These intangible assets, although separately classified per accounting standard requirements, all relate to the management of senior's accommodation. Their separate categorisation has arisen from acquisitions.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Impairment tests for Goodwill

Goodwill is monitored by the Board of Directors (who are identified as the chief operating decision makers) based on the share of results of the owner operators' net profit of the villages that EGH manages, less any overhead costs attributable to the management of these villages. Goodwill has been allocated to the property management cash generating unit.

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

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

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

- cash flows were projected over a five year period by applying a 2% growth rate (2017: 2%) to the most recent years' cash flows;
- the terminal value was calculated using a growth rate of 2% (2017: 2%);
- cash flows have been discounted using a pre-tax discount rate of 15% (2017: 15%);
- cash flows do not take into account the management of any new villages; and
- cash flows are based on historical results.

The 2% growth rate for the projected cash flow is considered conservative when compared with the business activities over the previous 12 months.

Reconciliation of movements in intangible assets:

	Management Rights \$'000	Rent Rolls \$'000	Goodwill \$'000	Other intangibles \$'000	Total \$'000
Opening balance at 1 July 2016	3,548	105	1,955	12	5,620
Additions at cost	60	-	-	789	849
Transfer to/from assets held for sale	-	-	-	-	-
Amortisation expense	(137)	(3)	-	(2)	(142)
Closing balance at 30 June 2017	3,471	102	1,955	799	6,327
Opening balance at 1 July 2017	3,471	102	1,955	799	6,327
Additions at cost	100	-	-	-	100
Disposals	-	-	-	(252)	(252)
Amortisation expense	(134)	(4)	-	(2)	(140)
Closing balance at 30 June 2018	3,437	98	1,955	545	6,035

The remaining amortisation period on a weighted average basis of the management rights are 21 years (2017: 22 years).

17. TRADE & OTHER PAYABLES

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Trade creditors and accruals	2,255	1,625
Retirement Village Resident Loans ¹	96	928
Acquisition related accruals	358	107
	2,709	2,660

¹ Movements from 30 June 2017 represents payments made to residents.

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short term nature.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

18. PROVISIONS

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Employee benefits	263	289
	<u>263</u>	<u>289</u>
Non-current		
Employee benefits	145	145
	<u>145</u>	<u>145</u>

19. OTHER FINANCIAL LIABILITIES

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Commercial bills – secured	(a) 17	1,538
Insurance funding	144	-
Finance lease	1	8
Motor vehicle loan	1	8
	<u>163</u>	<u>1,554</u>
Non-current		
Commercial bills – secured	(a) 55,320	49,018
Finance lease	-	1
	<u>55,320</u>	<u>49,019</u>

(a) Commercial bills and advances

Terms and conditions – 30 June 2018

As at 30 June 2018, the Group has access to the following facilities:

National Australia Bank (“NAB”):

During the period, NAB borrowings were consolidated and at year end comprises of two facilities:

- Facility 1 – maximum limit of \$24,500,000. At 30 June 2018, \$19,074,000 had been drawn on the facility. The facility limit to 29 September 2018 is \$24,500,000 and \$20,000,000 to 31 December 2019. The reduction of the facility limit does not require the repayment of any drawn debt within 12 months of 30 June 2018. Interest is payable at a variable rate on this facility (currently 4.31%).
- Facility 2 – maximum limit of \$35,000,000. Expires on 31 December 2021. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2021. Interest is payable at the rate of 4.97%.

At 30 June 2018, total drawings on the facility were \$54,074,000.

Westpac Banking Corporation (“Westpac”):

- Commercial bill – secured fully drawn limit of \$1,762,500. Expires on 29 November 2019. Interest is payable at a variable rate on this facility (currently 5.44%).

The NAB facilities and the Westpac commercial bill liabilities are secured against a certain amount of the Group's investment property asset. The total amount of security provided at 30 June 2018 was \$100,756,000. This value represents the fair value of assets pledged based on the carrying values recorded by the Group at 30 June 2018.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

As at 30 June 2018, the Group had the following banking covenants with NAB:

- The Debt Service Cover Ratio for the Group must not be less than or equal to 2.5:1.
- The Gearing Ratio for the Group must be less than 50%.
- The LVR must not exceed 55% up to and including 31 March 2018, 57.5% from 1 April 2018 to 29 September 2018 and 55% from 30 September 2018 onwards.
- The Dividend Payout Amount for the financial year must not exceed 100% of the Net Profit After Tax for the Group for that Financial Year.

The Group complied with its covenants through 30 June 2018.

Terms and conditions – 30 June 2017

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

National Australia Bank (“NAB”):

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

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

Applicable interest rates on the drawn facilities are provided below:

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

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

Westpac Banking Corporation (“Westpac”):

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

The Group complied with its covenants through 30 June 2017.

20. SHARE CAPITAL

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

	Consolidated			
	30 June 2018 Number	30 June 2018 \$'000	30 June 2017 Number	30 June 2017 \$'000
Balance at start of year	229,671,923	94,255	225,784,473	90,860
Shares issued at \$0.273 for acquisition of management rights	365,715	100	-	-
Shares issued at \$0.75 for cash	-	-	5,263,400	3,948
Shares bought back during the period	-	-	(1,375,950)	(523)
Capital raising costs	-	(3)	-	(30)
On issue at end of the year	230,037,638	94,352	229,671,923	94,255

Share Buy Back

The Company extended the share buy back period for a further 1 year from 16 March 2018. No ordinary shares had been cancelled during the financial year (from share buy back 2017: 1,375,950).

Equity Reserves

Share based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 26 for further details of these plans.

	Share based payments \$000
As at 1 July 2016	-
Share-based payments expense during the year	-
At 30 June 2017	-
Share-based payments expense during the year	12
At 30 June 2018	12

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

21. CASH FLOW INFORMATION

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
(a) Reconciliation of cash		
Cash at bank and on hand	1,986	4,395

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

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Profit/(loss) for the year	(276)	6,538
Depreciation and amortisation	251	271
Couran Cove inventory write down and transaction costs	1,124	-
Couran Cove land option write down	1,763	-
(Gain)/Loss on revaluation – investment properties and other assets	1,692	(1,046)
Share of profit of joint venture	(172)	-
(Gain)/loss on sale of investment property	(501)	-
(Gain)/loss on sale of management rights and managers units	17	10
(Gain)/loss on sale of gaming licenses	(60)	-
Non-cash cost of sale purchases	4	-
(Increase)/decrease in:		
- Trade and other receivables	648	36
- Inventories	(1,634)	(1,372)
- Other current assets	(81)	(725)
- Other capital reserves	(12)	-
Increase/(decrease) in:		
- Trade and other payables	55	112
- Provisions	(26)	249
- Other financial liabilities	144	-
Net cash flow from/(used in) operating activities	2,936	4,073

(c) Non-cash investing and financing activities

During the year, the Group acquired goods and services of \$63,694 with Bartercard dollars.

In the prior financial year, the Group exchanged Bartercard dollars for \$1.19 million of property, plant and equipment and investment property improvements. Refer to Note 9 for details.

22. FINANCIAL INSTRUMENTS

Overall policy

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors are responsible for developing and monitoring risk management policy. Risk management policy is to identify and analyse the risks faced by the entity, to set limits and controls, and to monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and amounts due from the senior independent living communities in accordance with management agreements in place.

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

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
<i>Maximum exposure to credit risk</i>		
Cash and cash equivalents	1,986	4,395
Trade and other receivables	2,402	2,632
Loans receivable	528	577
	<u>4,916</u>	<u>7,604</u>

Cash and cash equivalents

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer or resident. The Group has a diverse range of customers and residents and therefore there is no significant concentration of credit risk ¹ with any single counterparty or group of counterparties.

The Directors have established a credit policy under which each new customer is analysed individually for creditworthiness before the Group does business with them. The Group monitors and follows-up its accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions and actively pursues amounts past due.

Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to trade and other receivables. The Group has no concentrations of credit risk that have not been provided for. A significant component of trade debtors that are past due and greater than 90 days ageing are either on a payment plan or considered recoverable. The Group has not provided for the remaining amounts past due as management believes these amounts will be received.

The ageing of trade receivables and other receivables at the reporting date was:

	Consolidated			
	30 June 2018		30 June 2017	
	Gross amount receivable \$'000	Provision for Impairment \$'000	Gross amount receivable \$'000	Provision for Impairment \$'000
Due 0-30 days	2,393	(176)	2,455	-
Past due 30-60 days	-	-	11	-
Past due 60-90 days	1	-	7	-
Past due 90 + days	8	-	248	(89)
	<u>2,402</u>	<u>(176)</u>	<u>2,721</u>	<u>(89)</u>

¹ Refer Note 6 and 34 for a discussion on Couran Cove receivable.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Loans receivable

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

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

	Consolidated 30 June 2018	
	Gross amount receivable \$'000	Provision for Impairment \$'000
Loans receivable		
Current	72	-
Non-current	456	-
	528	-

Refer to Notes 6, 9 and 34 with respect to loans and options related to Couran Cove.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities.

There were unused borrowing facilities of \$5,426,000 at the reporting date.

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

30 June 2018

	Contractual cash flows \$'000	Less than 6 months \$'000	Consolidated 6 - 12 months \$'000	1 – 2 years \$'000	More than 2 years \$'000
Trade and other payables	2,255	2,255	-	-	-
Commercial bills ¹	63,310	1,345	1,329	23,027	37,609
Other financial liabilities	2	2	-	-	-
Total	65,567	3,602	1,329	23,027	37,609

30 June 2017

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

¹ This amount includes estimated interest during the contractual period.

c) Market risk

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

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FOR THE YEAR ENDED 30 JUNE 2018

d) Interest rate risk

The Group's exposure to market interest rates arises from long term borrowings in the form of Commercial Bills. Borrowings issued at variable rates expose the Group to interest rate risk. \$20,836,500 of the commercial bills are at variable rates while \$35,000,000 is fixed (refer to Note 19). The variable portion of the debt does not expose the Group to any material interest rate risk.

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

23. FAIR VALUE MEASUREMENTS

Fair value hierarchy

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

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

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

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

Fair value of financial instruments (unrecognised)

The Group has a number of financial assets and financial liabilities (loans receivable and commercial bills) which are not measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, and therefore have not been disclosed. Refer to Note 9 for details regarding the fair value and impairment assessment of amounts related to Couran Cove Land Options. These are not shown in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2018				
<i>Assets</i>				
Investment properties	-	-	100,756	100,756
Total assets	-	-	100,756	100,756
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	96	96
Total liabilities	-	-	96	96
Consolidated – 2017				
<i>Assets</i>				
Investment properties	-	-	100,666	100,666
Total assets	-	-	100,666	100,666
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	928	928
Total liabilities	-	-	928	928

Valuation techniques for fair value measurements categorised within level 2 and level 3

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

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

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)		Relationship of unobservable input to fair value
			2018	2017	
Investment properties – Retirement Villages	Capitalisation method ¹	Capitalisation rate	8.25%-12.00% (10.31%) ²	9.75%-12.50% (11.04%)	Capitalisation has an inverse relationship to valuation.
		Stabilised occupancy	86%-100% (94%)	81%-100% (91%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
Investment properties – Individual Village Units	Direct comparison approach	Comparable sales evidence	N/A	N/A	Comparable sales evidence has a direct relationship to valuation.
Retirement village resident loans	Ingoing contribution less deductions for length of stay	Estimated length of stay of residents	1 – 10 years	1 – 10 years	The longer the length of stay, the lower the value of resident loans.

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

⁽²⁾ Included in the investment properties are three assets which are residential complexes. These have a capitalisation rate range of 6% to 6.5%. These are not included in the weighted average calculation above.

Fair value measurements using significant unobservable inputs (level 3)

Movements in level 3 asset items during the current and previous financial year are set out in Note 14.

Valuation processes

Independent valuations have been obtained for a number of Senior's Rental Villages during the year ended 30 June 2018 and were used as the basis for determining their fair values. Selection criteria include market knowledge, experience and qualifications, reputation, independence and whether professional standards are maintained.

Where an independent valuation has not been performed on an investment property as at 30 June 2018, management has estimated the fair values by performing internal valuations based on valuations performed by an independent valuer commissioned by the Group when acquiring the properties.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

24. COMMITMENTS

a) Operating leases: group as lessee

Non-cancellable operating leases

The Group leases various managers' units under non-cancellable operating leases expiring within two to twenty-five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Within 1 year	270	234
Greater than 1 year but not longer than 5 years	617	692
Greater than 5 years	729	840
	1,616	1,766

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

b) Capital expenditure

The Group had no capital commitments as at 30 June 2018.

25. EARNINGS PER SHARE

	30 June 2018	30 June 2017
	\$'000	\$'000
Net profit/(loss) used in calculating basic and diluted earnings per share	(276)	6,538
	Thousands	Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	230,686	230,603
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	230,686	230,603
	(0.12 cents)	2.84 cents
Basic earnings per share		
Diluted earnings per share	(0.12 cents)	2.84 cents

For the year ended 30 June 2018, there were no dilutive transactions to be included in the diluted earnings per share calculation.

26. SHARE BASED PAYMENTS

During the period ended 30 June 2018 the following equity instruments were issued:

Share rights

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

Rights were issued at face value having regard to the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results.

The share rights do not have any voting rights, rights to dividends, rights to capital and have no entitlement to participate in new issues offered to ordinary shareholders of the company.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

A total of 878,465 share rights were issued during this period but 559,090 lapsed upon the retirement of the Chief Executive Officer. The 319,375 remaining share rights are divisible into two tranches of equal value, both tranches being subject to the company's shares achieving a total shareholder return compared to the constituents of All Ordinaries Small Cap index excluding companies in the materials, industrials, energy and utilities sectors. Tranche 1 and Tranche 2 will be tested following the announcement of the company's result for the year ending 30 June 2020 and 2021 respectively using a 10 day VWAP. The share rights progressively vest over 3 and 4 years.

The fair value of the share rights is estimated at the grant date using the Monte Carlo pricing model, taking into account the terms and conditions on which the share rights were granted.

There are no cash settlement alternatives. The Group accounts for the share rights as an equity settled plan.

Options

A total of 1,500,000 share options were granted during the period but 1,000,000 lapsed upon the retirement of the Chief Executive Officer leaving 500,000 outstanding at 30 June 2018. The options were granted for a 4.5 year period and are exercisable from 23 November 2021. The exercise price is \$0.33 representing the volume weighted average share price of shares over the 30 trading days following the announcement of the company's 2017 results. These options will be capable of vesting 3 years from the grant date subject to the share price being at 75c or greater on 10 trading days in any 20 sequential trading days following the grant date. While the share price hurdle may be met, these options can only be exercised upon completion of 4 year employment service.

The fair value of the share options is estimated at the grant date using the Monte Carlo pricing model, taking into account the terms and conditions on which the share options were granted.

There are no cash settlement alternatives. The Group accounts for the share options as an equity settled plan.

The expense recognised during the year is shown in the following table:

	30 June 2018 \$'000	30 June 2017 \$'000
Expense arising from equity-settled share based payment transactions	12	-
Total expense arising from share-based payment transactions	12	-

There were no cancellations or modifications to the awards in 2018 or 2017, other than the lapsing of the share rights and options noted above.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share rights during the year:

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at 1 July	-	-	-	-
Granted during the year	878,465	-	-	-
Forfeited during the year	(559,090)	-	-	-
Outstanding at 30 June	319,375	-	-	-
Exercisable at 30 June	-	-	-	-

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at 1 July	-	-	-	-
Granted during the year	1,500,000	\$0.33	-	-
Forfeited during the year	(1,000,000)	-	-	-
Outstanding at 30 June	500,000	\$0.33	-	-
Exercisable at 30 June	-	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

The following table list the inputs to the models used for the two plans for the year ended 30 June 2018.

	2018 Options	2018 Share rights	
		Tranche 1	Tranche 2
Weighted average of fair values at the measurement date (\$)	0.014	0.207	0.138
Dividend yield (%)	-	-	-
Expected volatility (%)	38.797	38.797	38.797
Risk-free interest rate (%)	2.13	1.97	1.97
Expected life of share options/rights (years)	4.50	6.11	6.11
Weighted average of share price (\$)	0.335	0.335	0.335
Model used	Monte Carlo	Monte Carlo	Monte Carlo

No options or share rights were issued or outstanding at 30 June 2017.

The expected volatility reflects the assumption that the historical volatility over the last 5 years will be an indication of the expected future volatility of the company's share price, which may not necessarily be the actual outcome.

27. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Short term employee benefits	1,223	1,014
Post-employment benefits	73	28
Other employee benefits	149	-
Total	1,445	1,042

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

(b) Other transactions with key management personnel

(i) Purchases from entities controlled by key management personnel:

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

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Consulting fees	-	206
Rent	51	86

Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables)

- -

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

(ii) Fees received from entities controlled by key management personnel:

The Group received fees for the following services from entities that are controlled by members of the Group's key management personnel:

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Caretaking and management fees	21	19
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables)	-	-

(iii) Terms and conditions

All transactions were made on commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Further details are contained in the remuneration report.

28. OTHER MATERIAL TRANSACTIONS WITH DIRECTOR RELATED ENTITIES

Couran Cove

Couran Cove is a resort on South Stradbroke Island. Ownership of Couran Cove consists of a group of companies that is 100% owned by Onterran Ltd (ASX:OTR). The Executive Chairman of Onterran Ltd is Mr. Lachlan McIntosh. Mr. McIntosh does not have control over Onterran or other entities associated with Couran Cove which Eureka trades with. Mr. McIntosh is also a director of EGH. EGH has had transactions with Couran Cove over recent years and has a number of balance sheet items at 30 June 2018.

After entering into renegotiated agreements subsequent to year end, the following balances existed – Refer to Note 34:

- Loan receivable of \$2.26 million (interest bearing) owing from Couran Cove entities.
- Inventory of \$2.00 million comprising ownership of 28 cabins located at Couran Cove.
- \$3.00 million loan offset in exchange for right of first refusal on proposed dwelling sites recorded at fair value of \$1.24 million.

29. ULTIMATE PARENT ENTITY

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

30. CONTINGENCIES

There are no contingent liabilities or contingent assets at 30 June 2018 that require disclosure in the financial report.

31. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

For the period ended 30 June 2018, the Group is organised into two operating segments, all located in Australia:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

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

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

Consolidated - 30 June 2018	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
Revenue	18,665	3,909	-	22,574
Interest revenue	-	-	41	41
Other revenue	198	-	571	769
Total Revenue	18,863	3,909	612	23,384
Expenses	11,035	2,806	7,066 ¹	20,907
Interest expense	2,745	-	8	2,753
Total expenses	13,780	2,806	7,074	23,660
Profit/(loss) before income tax expense	5,083	1,103	(6,462)	(276)
Income tax expense	-	-	-	-
Profit/(loss) after income tax expense	5,083	1,103	(6,462)	(276)
Segment Assets	108,240	6,138	18,922 ²	133,300
Segment Liabilities	57,833	65	702 ³	58,600

Non-cash and other significant items included in profit above:

Loss on revaluation of investment property	(1,439)	-	-	(1,439)
Depreciation & amortisation	(111)	(140)	-	(251)
Gain on disposal of Victoria St, Mackay			501	501

Segment acquisitions:

Acquisition of property, plant and equipment	-	-	35	35
Acquisition and subsequent expenditure of investment property	9,361	-	-	9,361
Acquisition of Joint Venture investment	4,500	-	-	4,500
Acquisition of intangibles	-	100	-	100
Acquisition of inventory	-	-	4,134	4,134

¹ Included within unallocated expenses is write down of Couran Cove inventory of \$1.12 million, write off of Couran Cove Land Option \$1.76 million, employee benefits expense of \$2.16 million, office expenses of \$0.45 million and other administrative expenses of \$1.57 million.

² Included within unallocated assets is inventory of \$11.78 million, Couran Cove land option of \$1.24 million, trade and other receivables of \$2.26 million, cash balances of \$1.98 million, and other assets of \$1.67 million.

³ Included within segment liabilities is provisions of \$0.12 million and Superannuation and PAYG withholding payable \$0.10 million, accrued expenses \$0.48 million.

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

¹ Included within unallocated expenses is employee benefits expense of \$2.57 million and other administrative expenses of \$1.37 million.

² Included within unallocated assets is inventory of \$7.64 million, Couran Cove land option of \$3.00 million, trade and other receivables of \$1.94 million, cash balances of \$4.39 million, property, plant and equipment of \$0.99 million and other assets of \$1.12 million.

³ Included within segment liabilities is provisions of \$0.19 million and Superannuation and PAYG withholding payable \$0.10 million.

Non-cash and other significant items included in profit above:

Gain on revaluation of investment property	1,046	-	-	1,046
Depreciation & amortisation	(129)	(142)	-	(271)

Segment acquisitions:

Acquisition of property, plant and equipment	-	2	558	560
Acquisition of investment property	13,148	-	-	13,148
Acquisition of intangibles	789	60	-	849
Acquisition of inventory	-	-	1,349	1,349

32. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by the auditor of the company and its related practices:

	Consolidated 30 June 2018 \$	30 June 2017 \$
(i) <i>Audit and other assurance services – Ernst and Young</i>		
Audit and review of financial statements	152,150	123,000
	152,150	123,000

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33. PARENT ENTITY DISCLOSURES

	30 June 2018 \$'000	30 June 2017 \$'000
Information relating to Eureka Group Holdings Limited (parent entity):		
Results of the parent entity		
Profit/(loss) for the period	(7,077)	(1,334)
Other comprehensive income	-	-
Total comprehensive income for the year	(7,077)	(1,334)
Financial position of parent entity at year-end		
Current assets	90,099	81,633
Non-current assets	7,162	12,477
Total assets	97,261	94,110
Current liabilities	711	479
Non-current liabilities	53,702	43,816
Total liabilities	54,413	44,295
Share capital	94,353	94,253
Equity reserve	12	-
Accumulated losses	(51,517)	(44,438)
Total equity	42,848	49,815

Guarantees entered into by the parent entity

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

- Registered mortgages over managers' units and other real estate at its Senior's Rental Villages;
- Guarantee and indemnity given by EGH and its controlled entities; and
- Fixed and floating charges over the assets of EGH and its subsidiaries.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018. For information about guarantees given by the parent entity, please see above.

Contractual commitments for capital items

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018.

Notes to the Financial Statements

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34. SUBSEQUENT EVENTS

Couran Cove

On 30 August 2018 a settlement and re-negotiated terms were announced with respect to amounts and assets associated with Couran Cove. These are currently recorded at 30 June 2018 in the financial statements as follows:

Asset	Carrying Value 30 June 2018 \$'000
Amounts Receivable	2,260
Land Option	1,237
Property Assets	2,000

The key elements of the agreement reached post period end are summarised below.

Sale of Property Assets

The remaining 28 cabins and apartments owned by Eureka are to be sold for \$2.01m to a purchaser that is not a related party of the Onterran Group. Settlement is scheduled to occur on 6 September 2018.

Repayment and refinance of the \$2.26m Loan

The \$2.26m loan owed to Eureka by Couran Cove Holdings Pty Ltd is to be repaid and refinanced by the following:

- a lump sum repayment of \$1.59m scheduled on 6 September 2018;
- Mr. Lachlan McIntosh in his personal capacity has assumed by way of a new loan \$350,000 (the McIntosh Loan); and
- a new secured loan to CCH Developments No 1 Pty Ltd in its personal capacity and as trustee of the CCH Developments No 1 Trust for \$320,000 (the West Cabin Loan).

a) McIntosh Loan

The McIntosh Loan is due for repayment on 31 December 2019. An additional restructure fee may be payable by the borrower on the loan of up to \$130,000.

The loan is on substantially the same terms as the existing loan to Couran Cove Holdings Pty Ltd. Interest at the general interest charge set by the Australian Taxation Office from time to time, which for the period July 2018 to September 2018 is set at 8.96% per annum, accrues on the loan on exactly the same terms as under the existing loan to Couran Cove Holdings Pty Ltd. The Board considers this loan to be on arm's length terms and expects that it will be repaid on the due date.

The amount of the restructure fee is linked to the value of 1 million shares in Eureka which are held by 22 Resolution Pty Ltd. Mr. Lachlan McIntosh is the sole director of 22 Resolution Pty Ltd.

Eureka may issue a notice requiring payment of the restructure fee on any day where Eureka's shares have traded on the ASX at above 40 cents per share for a period of ten successive trading days. The restructure fee is payable within 30 days of that notice extended for trading window blackout periods, unless Eureka's shares cease to trade at above 40 cents per share for a period of five successive trading days.

The amount of the restructure fee is the lesser of \$130,000 and, if 22 Resolution Pty Ltd sells 1 million shares in Eureka on arms' length terms after the notice has been issued, the amount for which those shares were sold which is in excess of the McIntosh Loan at that time.

No restructure fee is payable if Eureka's shares do not trade on the ASX at above 40 cents per share before 31 December 2019.

b) West Cabin Loan

The West Cabin Loan is due for repayment no later than 28 February 2019. No interest accrues on this loan.

The loan is guaranteed by Onterran and Mr. Lachlan McIntosh in his personal capacity and secured by a real property mortgage over two existing cabins owned by CCH Developments No 1 Pty Ltd. Recourse against CCH Developments No 1 Pty Ltd in respect of the loan is limited to the two existing cabins.

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Restructure of the \$3m land option

The existing \$3m amount owed to Eureka by Couran Cove Holdings Pty Ltd is to be refinanced under a new secured loan to CCH Developments No 1 Pty Ltd. No interest accrues on this loan.

The loan is guaranteed by Onterran and secured by a real property mortgage over land owned by CCH Developments No 1 Pty Ltd relating to 60 proposed cabin sites. The proposed cabin sites correspond to the lots over which Eureka was to be granted an option.

Eureka has a right of first refusal to purchase those proposed cabin sites for \$50,000 per site. The purchase price would be paid by way of set off against the \$3m loan on settlement. The right can be exercised until the repayment date for the loan.

The loan is due for repayment on 31 August 2020. Eureka has the option to extend the repayment date, and the time in which it can exercise its right of first refusal, to 31 August 2023.

In order for Eureka to realise value from this agreement, Eureka intends to reach arrangements for developers to construct dwellings on the proposed cabin sites and ultimately acquire the sites from Eureka. Eureka's interests will be protected by its mortgage under any such arrangements with developers. Eureka is in discussions with a potential developer for some of these sites and has entered into a non-binding term sheet for 5 lots for \$50,000 per lot.

Conditions precedent

The restructure of the \$2.26m and \$3m loans are subject to the conditions precedent, the most important of which are:

- completion occurring on the sale of the existing cabins and apartments owned by Eureka; and
- the lump sum repayment of \$1.59m being received by Eureka.

Releases

On satisfaction of the conditions precedent, Eureka will release the parties from the existing loan agreements, the entitlement to 30% of the proceeds of the sale of certain management and infrastructure rights related to the Couran Cove Resort, and will release the security it holds, other than the real property mortgage referred to above.

Summary of Transaction Outcomes

At completion scheduled for 6 September 2018 the following is expected to occur:

- The existing cabins and apartments owned by Eureka will be transferred, leaving Eureka with no existing cabins and apartments at the Couran Cove Resort.
- Eureka will receive \$3.60 million in cash from the sale of the cabin and apartments and partial repayment of the \$2.26 million loan.
- Loans of \$0.35 million and \$0.32 million, totalling \$0.67 million, will become the responsibility of Mr. Lachlan McIntosh and CCH Development No1 Pty Ltd.
- Eureka will retain rights in relation to 60 proposed cabin sites.

Banking Facility

On 28 August 2018 the NAB facility was amended such that the \$20,000,000 Facility 1 previously expiring on 31 December 2019 is now expiring on 31 December 2021 consistent with the expiry date of the \$35,000,000 Facility 2.

Property Assets

On 20 August 2018, a contract for the sale of Lambert Village in Mount Gambier was executed for \$1.10 million. In accordance with the terms of the contract, settlement is due on 30 November 2018.

Other

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2018

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

1. In the opinion of the Directors of Eureka Group Holdings Limited (the "company"):
 - a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
 - c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Board



Murray Boyte
Executive Chair

Dated in Brisbane this 31st day of August 2018.



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

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

Key Audit Matters

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

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



Recognition and Valuation of Investment Properties

Why significant

The recognition and valuation of investment properties was a key audit matter due to the value of the recorded asset (30 June 2018: \$100,756,000) relative to total assets and the degree of estimation and assumptions required to be made by the Group, specifically concerning classification and fair value.

The Group assesses whether new acquisitions are classified as an asset acquisition (individual acquisitions of investment property assets) or business acquisitions. Each period end all assets are assessed to determine if they continue to meet the requirements under Australian Accounting Standards to be classified as investment property.

All investment properties are recorded at their fair value. Fair values are determined each reporting period by reference to independent valuations or internal valuations with reference to current market conditions. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Notes 2 and 14 to the financial report discloses the investment property assets, and Note 23 discloses the assumptions used in the valuation of these assets.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed significant investment property acquisitions made during the year to whether these were correctly classified as an asset or business acquisition. In doing so, we analysed related contracts of purchase and settlement statements.
- Evaluated the Group's assessment of properties classified as an investment property under Australian Accounting Standards, with consideration as to how significant returns are derived from these assets.
- On a sample basis we agreed investment properties to applicable title and other documents evidencing ownership.
- Assessed the Group's fair value determination of investment properties. In doing so, we performed the following procedures with the involvement of our real estate valuation specialists:
 - Assessed the sustainable earnings for each property, including occupancy assumptions.
 - Considered the capitalisation rates for each property.
 - Assessed the independent valuations obtained by the Group including, the qualifications, competence and objectivity of the valuation experts and the methodology of the valuations.
- Selected a sample of properties to determine whether fair values were supported by comparable sales evidence.

Impairment Testing of Intangible Assets

Why significant

Impairment testing of intangible assets was a key audit matter due to the value of the recorded asset (30 June 2018: \$6,035,000) and the degree of estimation and assumptions required to be made by the Group, specifically concerning future discounted cash flows.

Note 16 of the financial report discloses the Group's intangible assets and the key assumptions used in testing these assets for impairment, including those used in the cash flow forecasts.

We focused on the impairment assessment of goodwill and management and letting rights. The Group performs an annual impairment assessment of goodwill, while definite life intangible assets, such as management letting rights are assessed for indicators of impairment.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Evaluated the Group's assessment of impairment indicators for management letting rights.
- Tested the mathematical accuracy of the cash flow forecasts and impairment model.
- Considered the accuracy of the Group's historical cash flow forecasts. We agreed the forecasts to Board approved budgets and compared these forecasts to previously achieved results and considered any adjustments required for current trading and market activities.
- Applied our knowledge of the business and corroborated our work with external information where possible, including published earnings multiples for similar assets.
- Assessed the key assumptions within the impairment model including the growth rate and discount rate.
- Assessed the adequacy of the impairment tests disclosure included in Note 16 to the financial report.



Impairment of other non-current assets (Couran Cove Option)

Why significant

Other non-current assets comprise an option to acquire rights over land at Couran Cove which is recorded at a cost of \$3,000,000 with an associated provision for impairment of \$1,763,000. The Group assess impairment of non-current assets at each reporting date and if an impairment indicator exists, the recoverable amount of the asset is determined. This involves discounted cash flow estimates, which incorporate a number of key estimates and assumptions.

Note 9 to the financial report discloses information and assumptions related to the Couran Cove option at 30 June 2018.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Reviewed contractual terms to assess if the Group has the legal title to the other non-current assets.
- Compared key market-derived estimates, including expected selling price, sales rate against external data, where available.
- Involved our real estate valuation specialists in the evaluation of the discount rates used by the Group.
- Performed sensitivity analyses to assess the range of acceptable valuations.
- Tested the mathematical accuracy of the models.
- Assessed the adequacy of the related disclosure in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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



Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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



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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Eureka Group Holdings 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.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'Brad Tozer' in black ink.

Brad Tozer
Partner
Brisbane
31 August 2018



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

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

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Brad Tozer
Partner
31 August 2018

Corporate Governance Statement

The Company's directors and management are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation during the financial year.

The Board has adopted the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent considered appropriate for the size and nature of the Group's operations. The Corporate Governance Statement identifies any Recommendations that have not been followed, and provides reasons for not following those Recommendations.

The Company's Corporate Governance Statement and key policies can be found on its website:
<http://www.eurekagroupholdings.com.au/governance/>

Corporate Directory

Postal Address

Suite 2D 7 Short St, Southport QLD 4215

Board of Directors

Murray Boyte (Executive Chair)
Lachlan McIntosh
Nirmal Hansra
Sue Renkin

Chief Financial Officer

Paul Cochrane

Company Secretary

Paul Cochrane and Laura Fanning

Solicitors

Jones Day
Riverside Centre
Level 31/123 Eagle Street
Brisbane QLD 4000
Tel: 07 3085 7000
Fax: 07 3085 7099

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

Auditors

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

Share Registry

Link Market Services – Brisbane
Level 21, 10 Eagle Street
Brisbane Qld 4000
Call Centre: 02 8280-7454
Fax: 07 3228-4999

Listing Details

ASX Limited Brisbane
Code: Shares – EGH

Australian Business Number

15 097 241 159

Security Holder Information

Distribution of Securities as at 20 August 2018

Number of Securities	No of Shareholders
1 – 1,000	303
1,001 – 5,000	234
5,001 – 10,000	112
10,001 – 100,000	379
100,001 and over	165
Total Security Holders	1,193

Marketable Shares

There were 394 holders of less than a marketable parcel of 1,851 shares holding a total of 188,750 shares.

Voting Rights

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

Substantial Holders as at 20 August 2018	No of Ordinary Shares Held	% of Issued Share Capital
Cooper Investors Pty Limited	35,378,273	15.38%
Tribeca Investment Partners	21,428,952	9.33%
Adam Smith Asset Management	14,015,681	6.10%
Ignition Capital Pty Ltd, Ignition Capital No 2 Pty Ltd, Mr Robin Levison	12,930,000	5.62%
22 Resolution Pty Ltd & Kathlac Pty Ltd	11,916,166	5.16%
Total	95,679,072	41.59%

Twenty Largest Ordinary Shareholders as at 20 August 2018	No of Ordinary Shares Held	% of Issued Share Capital
National Nominees Limited	40,758,160	17.72%
J P Morgan Nominees Australia Limited	29,219,151	12.70%
HSBC Custody Nominees (Australia) Limited	20,609,545	8.96%
Ignition Capital Pty Ltd	10,175,000	4.42%
Wavet Fund No 2 Pty Ltd	9,228,000	4.01%
NGE Capital Limited	8,840,949	3.84%
Kathlac Pty Ltd	6,700,138	2.91%
22 Resolution Pty Ltd	5,216,028	2.27%
One Managed Investment Funds Limited Folkestone Maxim A-Reit Securities Account	4,788,499	2.08%
Tolani Estate Pty Ltd	4,400,000	1.91%
Brazil Farming Pty Ltd	4,179,681	1.82%
Placement Pty Ltd	4,000,000	1.74%
Mr Alister Charles Wright	3,741,000	1.63%
H & G Limited	2,883,148	1.25%
Ignition Capital No 2 Pty Ltd	2,580,000	1.12%
Luton Pty Ltd	2,400,000	1.04%
Armada Trading Pty Ltd	2,318,937	1.01%
Mr Richard Mews and Mrs Wee Khoon Mews	2,188,607	0.95%
G & P Investments (NSW) Pty Limited	1,770,000	0.77%
Mr Brenden John Hall	1,701,091	0.74%
Total	167,697,934	72.90%

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*Delivering affordable, caring
and inclusive communities*

Head Office

ABN 15 097 241 159

Level 2, 7 Short Street,
Southport Qld 4215

P: (07) 5568 0205

F: (07) 5302 6605

E: info@eurekagroupholdings.com.au