

EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2022

Chairman's message

Eumundi Group Limited (the "Group") is pleased to report a statutory net profit after tax of \$7.022 million for the 2022 financial year ("FY22") representing earnings per share of 16.74 cents. The result included a net gain on fair value adjustments of investment properties of \$4.085 million net of tax and COVID-19 government subsidies of \$0.011 million net of tax. Profit for the year before these fair value adjustments and COVID-19 government subsidies was \$2.926 million net of tax.

Total comprehensive profit for the year, being net profit after tax of \$7.022 million plus fair value adjustments of \$6.081 million net of tax in respect of the Group's land and buildings, was \$13.103 million.

Post the pandemic's occurrence, staff and food availability and cost escalation remained an issue for the Group throughout the year. It was necessary to re-assess constantly the menu offered to ensure ingredients were readily available and that the pricing was sustainable for the customer and for the Group's business.

Record low unemployment rates, staff absences due to COVID-19 isolation and a lack of access to international workers resulted in strong competition for staff, driving wages higher. Supply of goods and services, already constrained due to the impacts of COVID-19, became more serious as the cost of living increased on all fronts.

CPI increased by 5.1% in the 12 months to March 2022 and 6.1% in the 12 months to June 2022. The Reserve Bank of Australia increased interest rates by 75bps between May and June 2022 to slow inflation.

Against this backdrop, the Group's assets performed exceptionally well.

Hotels

Ashmore Tavern

The Ashmore Tavern bistro and gaming expansion/redevelopment was an enormous improvement to the venue. The venue was shortlisted for the Queensland Hotels Association 'Best Redeveloped Venue' Award in 2022.

Upon completion of the works in March 2021, significant growth in food and beverage sales was achieved while the Group's traditionally strong gaming operations recovered quickly from the disruption during the prior nine months.

Customer response to the upgrade was very positive. The modern and attractive facilities increased the venue's popularity, attracting new patrons from across the Gold Coast. Functions for major events such as the Melbourne Cup were a sell out with all areas of the venue filled to capacity. The uplift in bar and bistro revenue was immediate. In July 2021 bistro sales were 65% above the prior year (under construction), and by April 2022 bistro revenues had increased by 20% on the post-completion result achieved the year before.

The final stage of the works programme, being kitchen expansion and upgrade of the lounge/sports bathroom facilities, had been recognised as essential to the long-term success of the venue and commenced in May 2022. Completion is mere days away and we are expecting a significant uplift in bistro revenue.

Overall, bar and bistro revenues at the Ashmore Tavern increased by 14.5% in FY22 over the prior year.

The Ashmore Tavern's gaming revenues in FY22 were on par with the FY21 result. However, the trading results from quarter-to-quarter varied markedly. Q1FY21 (post the FY20 3-month lockdown) gaming revenues were substantial, whereas FY22 was impacted in July 2021 by the border closures (14% down on FY21) and in August 2021 by lockdowns and renewed COVID-19 restrictions (31% down on FY21). As a result, Q1FY22 gaming revenue was down 15.2% compared with the prior comparative quarter. Pleasingly, gaming performance improved over subsequent months and an uplift in contribution was achieved for the full year.

Ashmore Tavern retail liquor sales increased by 6% during the year and, combined with improved buying and cost control, delivered a 9% increase in contribution to the Group.

Aspley Central Tavern

Aspley Central Tavern revenues fell by 8% in FY22 in what was a challenging year.

The venue was subject to the mandatory lockdowns in July and August 2021. In contrast to the very strong Q1FY21 performance of the Aspley Central Tavern, gaming revenues decreased by 24%, bistro revenues decreased by 20% and bar revenues decreased by 12% in Q1FY22.

Between December 2021 and April 2022, the Aspley area was badly affected by significant rainfall and repeated flooding. Surrounding roads were cut off by rising floodwaters on several occasions. The tavern remained free of inundation, however, during the February 2022 flooding, the rear of the property was submerged which impacted the centre's car parks as well as some services under the tavern building. During this period, and with vaccination mandates applying to staff and patrons, gaming revenues decreased by 19% compared with the prior comparative period, bistro sales were down by 27% and bar sales were down by 20%.

Aspley Central Tavern suffered repeated COVID-19 related staff absences during the year. The venue was reliant on contract chefs during these staff shortages and kitchen closures were unavoidable on several occasions. FY22 kitchen revenues fell 12% compared with the prior year, gaming revenues fell by 10% and bar sales fell by 6%. Significant attention is being directed at the Tavern to rectify the current problems experienced.

Despite these difficulties, with increased leasing activity at the Aspley Shopping Centres, the Group's retail liquor sales at the Aspley Central Tavern remained strong throughout the year, delivering an overall increase of 11% compared with last year.

Investment Properties

The Group's investment properties have been a key driver for the significant profit result achieved in FY22.

The Group purchased the land and buildings of the Court House Hotel, Murwillumbah NSW, in August 2021 for a price of \$6.0 million plus acquisition costs. The Court House Hotel business is owned and operated by Athena Hospitality Group under a triple net lease with an initial term of 15 years.

This investment is a solid, cash-flow positive asset with an experienced hotel operator significantly reducing potential future risk to the Group. The Board believes that the initial purchase was an excellent one by any measure. In the intervening time, the market for assets

such as this has tightened considerably, with a highly competitive market for hospitality-based assets across NSW driving lower cap rates.

The Plough Inn remains a trophy for the Group. The lessee is part of the 'Kickon Group', operators of six high-profile destination venues across Queensland and Victoria. Since acquisition, the lessee has substantially invested in upgrades to the premises, strengthening its business and safeguarding the Group's asset.

During FY22, leasing at the Group's Aspley Arcade Shopping Village and Aspley Shopping Centres improved substantially. Seven new leases were executed during the year representing \$0.631 million in annual revenue. The weighted average lease expiry (or WALE) at the centres is now 5.74 years (excluding the Group's tavern operations), up from 5.29 years at the same time last year. Three tenancies remain vacant representing 297m² or 6.3% of the combined gross lettable area, compared with 16.7% as at 30 June 2021.

Fair value adjustments on revaluation of the Group's investment properties and land and buildings as at 30 June 2022 reflected the strong performance of each of the Group's assets. The Group's total comprehensive income in FY22 included revaluation gains of \$4.085 million net of tax for investment properties and \$6.081 million net of tax for land and buildings. In assessing the fair value of each asset, the directors consulted industry professionals and considered current asset performance and market activity for the relevant asset type.

At an operating level, excluding net gains on fair value adjustments of land, buildings and investment properties and government subsidies, the Group's net profit after tax increased by 42% to \$2.926 million in FY22, compared with \$2.062 million last year.

The Group's net tangible asset backing per share of \$1.29 as at 30 June 2022 also increased from \$1.02 last year. The substantial improvement mainly reflects the total revaluation gains of \$10.167 million after tax noted above, as well as the strong operating performance of the Group's hotel operations and investment properties.

Cash inflows from operations remained strong at \$4.889 million in FY22. Although this was down from \$6.279 million in FY21, the reduction mostly reflected the timing of COVID-19 related payments and receipts, including government subsidies, deferred payments from customers and deferred rent. The Group also incurred higher net income tax payments and insurance premiums. Importantly, however, finance costs paid increased only marginally.

Net debt increased from \$26.417 million at 30 June 2021 to \$29.601 million at balance date, including increased borrowings to fund the acquisition of the Court House Hotel for \$6.379 million including acquisition costs. The Group's gearing ratio (net debt to total equity) of 51.3% as at 30 June 2022 reduced from 59.0% last year, reflecting the Group's larger asset base, while debt was comfortably serviced by interest cover of 7.51 times in FY22.

The Group has undrawn debt facilities of \$8.541 million at balance date, providing both working capital and the ability to respond to further growth opportunities that may be identified.

The Board has declared an FY22 final dividend of 3.5 cents per share, fully franked at the Group's corporate tax rate of 25%. The final dividend is payable on 12 September 2022, with a Record Date of 1 September 2022. This brings total dividends in respect of FY22 to 7.0 cents per share, with shareholders having received an unfranked interim dividend of 3.5 cents per share on 14 March 2022.

The Dividend Reinvestment Plan will apply to the final dividend to maximise the Group's capacity to pursue further growth opportunities.

In summary, given the challenges faced during FY22, the Group's hotel operations and investment properties have performed well and were significantly improved. Accordingly, the Board remains optimistic about the Group's future prospects given the quality of its assets and the strength of its cash flows.

On behalf of the Board, I would like to thank our CEO, Suzanne Jacobi-Lee, who has capably overseen the Group's business operations, including the substantial upgrade to the Group's assets in recent years. Thank you to the Ashmore and Aspley staff who are the force behind our success. Finally, thanks also to our company secretary, Leni Stanley, our auditors, Pitcher Partners, our banking partners at National Australia Bank and finally, our very supportive shareholders.

A handwritten signature in black ink, appearing to read 'JM Ganim', with a large, dark, scribbled area at the beginning of the signature.

JM Ganim
Chairman

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Corporate directory

Directors	Joseph Michael Ganim <i>Non-executive Chairman</i>
	Gilbert De Luca <i>Non-executive Director</i>
	Murray Raymond Boyte <i>Independent Non-executive Director</i>
Chief Executive Officer	Suzanne Marie Jacobi-Lee
Company Secretary	Leni Pia Stanley
Notice of annual general meeting	The annual general meeting of Eumundi Group Limited will be held: at HopgoodGanim Lawyers Level 7, 1 Eagle Street Brisbane Qld 4000 time 11:00am date Friday, 18 November 2022
Principal registered office in Australia	c/- HopgoodGanim Lawyers Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: (07) 3024 0000
Principal place of business	Ashmore Tavern 161 Cotlew St Ashmore Qld 4214 Telephone: (07) 3229 7222
Share registry	c/- Computershare Registry Services Pty Limited Level 1, 200 Mary St Brisbane Qld 4000 Telephone 1300 552 270
Auditor	Pitcher Partners Level 38, Central Plaza One 345 Queen Street Brisbane Qld 4000
Solicitors	HopgoodGanim Lawyers Level 8, 1 Eagle Street Brisbane Qld 4000
Bankers	National Australia Bank 255 Adelaide Street Brisbane Qld 4000
Stock exchange listing	Eumundi Group Limited shares are listed on the Australian Securities Exchange (ASX code: EBG)
Web site address	www.eumundigroup.com.au

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as the Group) consisting of Eumundi Group Limited and its controlled entities for the year ended 30 June 2022 (FY2022).

1. Directors

The following persons were directors of Eumundi Group Limited during the year and up to the date of this report:

J M Ganim (Chairman)

M R Boyte

G De Luca

2. Principal activities

During the year the principal activities of the Group remained unchanged and consisted of the operation of the Ashmore and Aspley Central Taverns and the holding of investment properties.

3. Dividends

On 24 February 2022, the board declared an interim dividend of 3.5 cents per share unfranked (\$1,453,000) which was paid to shareholders on 14 March 2022 (2021: nil).

The board has declared a final dividend of 3.5 cent per share fully franked at 25% (\$1,501,000) which will be paid to shareholders on 13 September 2022 (2021: nil).

4. Review of operations

In the year ended 30 June 2022, the Group has:

- purchased the freehold land and buildings of the Court House Hotel, Murwillumbah NSW, for a total sum of \$6,379,000 including acquisition costs. The Court House Hotel business is owned and operated by Athena Hospitality Group under a triple net lease with an initial term of 15 years with four further options of 10 years each;
- renegotiated commercial debt facilities on favourable terms and conditions of three to five years, increasing approved facilities by \$10,000,000 to fund the acquisition of the Court House Hotel and provide increased working capital for planned capital works;
- executed seven new leases at Aspley Shopping Centre and Aspley Arcade Shopping Villages representing 23.5% of the gross lettable area of the centre (excluding the Aspley Central Tavern) with a weighted average lease expiry of 6.42 years. These new leases represent annual revenues of \$631,000. Capital contributions and incentives totalling \$1,078,000 were recognised in respect of these leases. As at 30 June 2022, three tenancies remain vacant representing 6.3% of the combined lettable area of these centres;
- progressed the expansion of the Ashmore Tavern kitchen and upgrade of bathroom amenities. Works commenced in May 2022 and are expected to complete in late August 2022 at an estimated construction cost of \$1,054,000 of which \$533,000 had been recognised as at 30 June 2022;
- upgraded gaming equipment at the Ashmore Tavern and Aspley Central tavern at a total cost of \$175,000.

Uncertain market conditions

The impact of the COVID-19 pandemic is ongoing. While mandated closures, masks and social distancing measures are no longer in force, the high rate of COVID-19 community transmission and requirement for individuals to self-isolate remains a significant disruption to the Group's workforce and suppliers.

With historically low unemployment rates, there has been significant pressure on wages which is one of the Group's main operating costs through its hotel operations, as well as the flow-on impact from service providers. Food and beverage costs increased substantially due to the impact of flooding and COVID-19 staffing issues.

Australia's inflation was 6.1% for the 12 months to 30 June 2022 and the federal treasurer has forecast CPI to peak at 7.75% in December 2022. The Reserve Bank has increased interest rates by 1.75% between May 2022 and August 2022 to quell inflation.

Financial results

The Group recorded a profit after tax of \$7,022,000 for the year ended 30 June 2022 (2021: \$4,263,000 profit).

The FY2022 profit includes a net gain on fair value adjustment of investment properties of \$4,085,000 net of tax, comprising \$1,691,000 attributable to the Aspley Arcade Shopping Village, \$1,616,000 for The Plough Inn and \$778,000 for the Court House Hotel. COVID-19 government subsidies of \$11,000 net of tax were received in FY2022.

The prior year result included a gain on fair value adjustment of \$1,769,000 net of tax and COVID-19 Government subsidies of \$432,000 net of tax.

Net profit after tax before fair value adjustments on investment properties and COVID-19 Government subsidies was \$2,926,000 in FY2022 (up 42%), compared with \$2,062,000 in the prior year.

Revenue from continuing operations of \$27,684,000 represents a 5.6% increase compared with \$26,216,000 last year.

Hotel segment revenues increased by \$641,000 from \$23,403,000 in FY2021 to \$24,044,000 in the current year. Retail liquor revenues increased by \$575,000 from \$8,489,000 to \$9,064,000 due largely to the reopening of the Ashmore Tavern drive-through in April 2021 and improved results from marketing initiatives. Bar and bistro revenues increased by \$320,000 to \$4,576,000 largely attributable to the completion of the major bistro and gaming redevelopment works at Ashmore Tavern in the prior year.

On-premise operations were impacted at both hotel sites by the Queensland Government's mandatory 8-day lockdown in August 2021, kitchen closures due to COVID-19 staff absences and heightened community anxiety through January and February 2022 when borders re-opened and COVID-19 community transmission increased.

FY2022 gaming revenue of \$9,826,000 was a solid result. While this represented a decrease of \$337,000 compared with the prior year result of \$10,163,000, Q1FY2021 gaming revenues were at unprecedented levels after the three-month Federal Government mandated lockdown, with a surplus of cash in the economy.

Ashmore Tavern bar and bistro revenues were affected by the scheduled demolition of the venue's kitchen and bathroom facilities in May 2022. These works are the final stage of the Ashmore Tavern major venue works programme and are scheduled to complete in late August 2022, at which time revenues are expected to rebound quickly.

Other revenues increased by \$87,000 to \$581,000 with higher commissions and rebates received.

The hotel segment result of \$2,212,000 in FY2022 was an increase of \$96,000 (up 5%) compared with the prior year result of \$2,116,000.

Investment property revenues increased by \$823,000 from \$2,814,000 in FY2021 to \$3,637,000 in FY2022 due to improved leasing at the Aspley investment properties and annual rental increases on existing leases.

Outgoings on investment properties decreased from \$666,000 in FY2021 to \$585,000 in FY2022 with significantly lower repairs and maintenance following renovation of the Aspley investment properties.

Investment property segment results increased by \$810,000 from \$2,293,000 in FY2021 to \$3,103,000 in FY2022.

Employee benefits expense increased by 5.1% from \$4,183,000 in FY2021 to \$4,395,000 in FY2022. The increase was predominantly attributable to completion of the Ashmore Tavern bar and bistro expansion works in the prior year, with lower staffing required during construction works. Gaming machine taxes decreased from \$5,216,000 in FY2021 to \$5,037,000 in FY2022 in line with the decrease in gaming revenue.

The Group received COVID-19 related government subsidies totalling \$15,000 in FY2022 compared with \$584,000 in FY2021.

Financing costs of \$695,000 compared with \$558,000 in the prior comparative period due to higher interest rates during the year and increased borrowings used to finance the purchase of the Court House Hotel.

Other comprehensive income net of tax of \$6,081,000 in FY2022 related to the net fair value gains on revaluations of land and buildings at the Aspley Shopping Centre of \$4,077,000 (net of tax) attributable to improved leasing and on the Ashmore Tavern land and buildings of \$2,004,000 (net of tax). This compares with a revaluation gain of \$4,313,000 net of tax in the previous year relating to the same properties.

Financial position

Net assets at 30 June 2022 were \$57,739,000, representing an increase of \$12,988,000, up 29% from \$44,751,000 at 30 June 2021.

Total assets increased by 26.1%, from \$81,774,000 to \$103,120,000, primarily as a result of the net gain on fair value revaluations of land and buildings of \$8,108,000 (\$6,081,000 net of tax), the gain on fair value adjustment of investment properties of \$5,447,000 (\$4,085,000 net of tax) and the purchase of the Court House Hotel for \$6,379,000 including acquisition costs.

Trade and other payables increased by \$1,015,000 to \$4,484,000 due to lease incentives and lease establishment costs payable in respect of new leases at the Aspley properties of \$699,000 and insurance premiums payable of \$314,000. Insurance premiums had been pre-paid as at June 2021.

Borrowings increased by \$3,547,000 from \$27,885,000 at 30 June 2021 to \$31,432,000 at 30 June 2022 mainly due to the acquisition of the Court House Hotel for \$6,379,000 including transaction costs, lessor works, incentives and establishment costs in respect of leases at the Aspley investment properties \$951,000, progress payments for the Ashmore Tavern kitchen and bathroom capital works of \$533,000, and a deposit payment for the Ashmore Tavern kitchen equipment of \$151,000. Cash flows from operating activities were applied to debt reduction throughout the year.

Net debt (borrowings less cash and cash equivalents) was \$29,601,000 at 30 June 2022 (2021: \$26,417,000). The net debt to equity ratio decreased from 59.0% at 30 June 2021 to 51.3% at 30 June 2022.

Cash inflows from operations of \$4,889,000 in FY2022 were \$1,390,000 lower than the prior period. FY2022 cash flows from operations included payment of annual insurance premiums in July 2021 of \$278,000 (2021: nil), settlement of March 2020 gaming taxes of \$156,000 which had been deferred as a COVID-19 support measure and receipt of \$15,000 in Queensland State Government subsidies following a mandatory 8-day closure of the Group's hotels in August 2021. Cash flows from operations in the prior year included government COVID-19 subsidies of \$474,000 and the receipt of COVID-19 deferred rental of \$125,000.

Cash outflows from investing activities of \$7,662,000 in FY2022 were mainly attributable to the acquisition of the Court House Hotel in Murwillumbah NSW, the Ashmore Tavern capital works programme, lessor works and incentive payments in respect of new leases at the Aspley Arcade Shopping Village and Aspley Shopping Centre investment properties. Prior year outflows from investing activities of \$5,353,000 reflected the substantial redevelopment works at the Ashmore Tavern, capital contributions and incentive payments in respect of new leases at the Aspley investment properties and the acquisition of gaming authorities at the Aspley Central Tavern.

Net cash inflows from financing of \$3,136,000 reflects increased borrowing primarily to fund the acquisition of the Court House Hotel and subsequent partial repayment from operating cash flows. To preserve cash, the Dividend Reinvestment Plan (DRP) was utilised for the payment of the FY2022 interim dividend. The DRP participation rate was in excess of 93% for the interim dividend, resulting in only \$131,000 of the total dividend of \$1,454,000 being paid as cash to non-participating shareholders.

Issued share capital increased from 41,543,333 shares as at 30 June 2021 to 42,902,666 shares as at 30 June 2022. The increase was predominantly as a result of the issue of shares under the DRP.

Net tangible asset backing was \$1.29 per share as at 30 June 2022, up from \$1.02 per share as at 30 June 2022, effectively reflecting the total comprehensive income recorded by the Group in FY2022.

5. Significant changes in the state of affairs

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

6. Matters subsequent to the end of the financial year

Subsequent to 30 June 2022, the Group has completed the replacement of the Ashmore Tavern bathroom facilities and progressed the kitchen extension works which are expected to complete in complete in late August 2022 at an estimated construction cost of \$1,054,000 of which \$533,000 had been recognised as at 30 June 2022.

Other than the matters referred to above and the proposed final dividend in respect of FY2022 (refer to section 3 of this Directors' report), there are no other matters or circumstances that have arisen since 30 June 2022 that have significantly affected, or may significantly affect, the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

7. Likely developments and expected results of operations

The focus of the Group in the coming year is to maintain operational efficiencies in the face of uncertain market conditions and to ensure adequate working capital to operate in all market conditions. The Group will continue to assess other investment opportunities that may exist in the current market where such investments will improve the Group's asset portfolio.

8. 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.

9. Information on directors

Name and qualifications	Experience and special responsibilities
Joseph Michael Ganim Non-executive Chairman LLB	Over 50 years' experience conducting complex corporate and commercial litigious matters. Extensive public and private company board experience. Non-executive director since 1989 and Non-executive Chairman since 2004. Member of the Audit Committee.
Gilbert De Luca Non-executive director	A wide range of business experience in the property and construction fields overseeing the acquisition of investment and development properties. Non-executive director since 1989. Member of the Audit Committee.
Murray Raymond Boyte Independent non-executive director BCA, MAICD, CMInstD, CA	Over 35 years' merchant banking and finance experience including corporate restructures, mergers and acquisitions. Extensive directorship and executive experience in transport, horticulture, financial services, investment, health services and property industries. Currently chairman of National Tyre and Wheel Limited, executive chairman of Eureka Group Holdings Limited, and non-executive director of Hillgrove Resources Limited and Abano Healthcare Group (NZX). Non-executive director since 2021. Chairman of the Audit Committee.

Leni Pia Stanley Company Secretary CA BCom	Principal of a chartered accounting firm and has held similar positions with other companies. Company secretary since 2004.
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Interests of directors

<i>Names of directors</i>	<i>Ordinary shares</i>
J M Ganim	13,458,918
G De Luca	7,333,359
M R Boyte	-

The table above lists interests in the company held by the directors or entities controlled by the directors as at the date of this report.

Meetings of directors

The numbers of meetings of the company's board of directors and of its board committee held during the year ended 30 June 2022, and the numbers of meetings attended by each director were:

	Directors' meetings		Audit committee meetings	
	Meetings held during the period whilst holding office	Meetings attended	Meetings held during the period whilst holding office	Meetings attended
J M Ganim	12	12	2	2
M R Boyte	12	12	2	2
G De Luca	12	12	2	2

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

10. Remuneration report

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

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

Executives

The board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure has two components: base pay and benefits such as superannuation and motor vehicle allowances. At the discretion of the directors, they will provide executives a cash and/or share bonus as part of their remuneration. Upon retirement the executives are paid employee benefit entitlements accrued to date of retirement.

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

Non-executive directors

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

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

Non-executive director remuneration is determined within the aggregate directors' fee pool, which is periodically recommended for approval by shareholders. The latest determination was at an Annual General Meeting (AGM) held on 24 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per annum. The actual amount paid during the financial year ended 30 June 2022 was \$160,730 (2021: \$184,457 including settlement of unpaid directors' remuneration for the year ended 30 June 2020 of \$20,290).

Relationship to performance

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

Year ended 30 June	2022	2021	2020	2019	2018
Profit (loss) after tax attributable to members (\$'000)	7,022	4,263	(1,022)	1,974	3,900
Total comprehensive income (loss) for the year (\$'000)	13,103	8,576	(4,717)	2,533	4,352
Dividends paid (\$'000)	1,453	-	1,882	2,431	2,020
Dividends paid per share	3.5¢	-	4.7¢	6.5¢	5.5¢
Net tangible asset backing per share	\$1.29	\$1.02	\$0.82	\$0.99	\$1.03
Share price at end of year	\$1.09	\$1.00	\$0.79	\$0.96	\$0.89

Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of the company and the other KMP of the Group for FY2022 are set out in the following table.

	Short term employee benefits			Post-employment benefits	Long Term Benefits	Share based payments	Total	% Performance based
	Cash salary and fees ³	Cash bonuses	Non-cash benefits	Super-annuation	Long Service Leave ³	Options		
	\$	\$	\$	\$	\$	\$	\$	%
2022								
Directors								
J M Ganim - Chairman	54,795	-	-	5,479	-	-	60,274	-
G De Luca - Director	45,662	-	-	4,566	-	-	50,228	-
M R Boyte - Director	45,662	-	-	4,566	-	-	50,228	-
Total	146,119	-	-	14,611	-	-	160,730	
Other key management personnel								
S M Jacobi-Lee - CEO ^{2,3}	231,522	-	-	21,000	4,406	21,000	277,928	
Total	231,522	-	-	21,000	4,406	21,000	277,928	
2021								
Directors								
J M Ganim - Chairman	54,795	-	-	5,205	-	-	60,000	-
G De Luca - Director	45,662	-	-	4,338	-	-	50,000	-
M R Boyte - Director ¹	15,221	-	-	1,446	-	-	16,667	-
V A Wills - Director ⁴	37,500	-	-	-	-	-	37,500	-
Total⁵	153,177	-	-	10,989	-	-	164,167	
Other key management personnel								
S M Jacobi-Lee - CEO	214,208	-	-	19,085	4,415	-	237,708	-
Total	214,208	-	-	19,085	4,415	-	237,708	

¹ Appointed 1 March 2021

² Ms S M Jacobi-Lee's salary increased from \$210,000 inclusive of super to \$210,000 plus super on 1 January 2021. Ms Jacobi-Lee has received a home office allowance of \$1,000 per month since September 2020, totalling \$12,000 during FY2022 (2021: \$10,000) which is included in this amount.

³ Amounts disclosed for Ms S M Jacobi-Lee include leave entitlements of \$13,928 accumulated during FY2022 (2021: \$3,318 leave entitlements)

⁴ Resigned 1 March 2021

⁵ Directors' fees for FY2021 included settlement of \$20,290 in directors' fees deferred from FY2020.

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

The resolution to approve the remuneration report at the 2021 AGM received 99% "yes" votes. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

A. Service agreements

S M Jacobi-Lee (Chief Executive Officer)

Ms S M Jacobi-Lee receives a salary package of \$210,000 p.a. plus superannuation and three months' notice is required in the event of termination. The contract does not contain termination benefits.

B. Share-based compensation

During FY2022, the Group issued Ms S M Jacobi-Lee a discretionary bonus of 20,000 fully paid ordinary shares at the then current market price of \$1.05 per share at a value of \$21,000 (2021: nil). No conditions were attached to the issue of these shares. No other share-based payments were granted, vested, or exercised during the current or prior year.

C. Equity instruments held by key management personnel

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

	Balance at start of year	Shares issued pursuant to DRP	Shares issued as compensation	Share market trades	Balance at end of year
2022					
Directors					
J M Ganim	12,998,450	460,468	-	-	13,458,918
G De Luca	7,083,072	250,287	-	-	7,333,359
M R Boyte	-	-	-	-	-
Other KMP					
S M Jacobi-Lee	25,533	904	20,000	-	46,437

Other transactions with key management personnel

There were no transactions with KMP or their related parties at any time during FY2022.

The Group engaged an entity related to Mr G De Luca to provide project management services on commercial terms. Payments totalling \$10,700 were made during FY2021.

No amount was owing to related parties at 30 June 2022 (30 June 2021: \$nil).

There were no loans to KMP at any time during the financial year.

End of Remuneration Report

11. Shares options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the year.

10. Insurance of directors and officers

During the financial year, Eumundi Group Limited paid a premium to insure the directors and officers of the company and its related bodies corporate for any claims made against the directors and officers of the company, subject to conditions contained in the insurance policy. The policy prohibits disclosure of details of the cover and the amount of premium paid.

11. Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company.

12. Non-audit services

During the year, Pitcher Partners, the Group's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in note 26 to the financial statements.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of non-audit services during the year did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

13. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included at page 16 of this report.

14. Rounding of amounts

This company is a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and amounts in the directors' report have been rounded in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



J M Ganim
Director

Dated at Brisbane this 29th day of August 2022.

Level 38, 345 Queen Street
Brisbane, QLD 4000

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GPO Box 1144
Brisbane, QLD 4001

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The Directors
Eumundi Group Limited
161 Cotlew St
Ashmore QLD 4214

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

Pitcher Partners
PITCHER PARTNERS

Mason
CHERYL MASON
Partner

Brisbane, Queensland
29 August 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

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NIGEL FISCHER
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COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	6	27,684	26,216
Other income			
Net gain on fair value adjustment – investment properties	15	5,447	2,390
Total revenue and other income		<u>33,131</u>	<u>28,606</u>
Expenses			
Purchase of inventories		(8,403)	(8,130)
Change in inventories		(145)	(39)
Selling and promotional costs		(1,020)	(996)
Employee benefits expense		(4,395)	(4,183)
Depreciation and amortisation	7	(1,786)	(1,691)
Insurance		(205)	(218)
Rates and taxes		(65)	(180)
Electricity		(243)	(253)
Outgoings – investment properties		(585)	(666)
Gaming machine tax		(5,037)	(5,216)
Finance costs	7	(695)	(558)
Listing and corporate governance costs		(340)	(331)
COVID-19 Government subsidies		15	584
Other expenses		(1,092)	(1,256)
Total expenses		<u>(23,996)</u>	<u>(23,133)</u>
Profit before income tax		9,135	5,473
Income tax expense	8	(2,113)	(1,210)
Profit for the year		<u>7,022</u>	<u>4,263</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value revaluation of land and buildings		8,108	5,828
Income tax on items of other comprehensive income	8(d)	(2,027)	(1,515)
Other comprehensive income for the year, net of tax		<u>6,081</u>	<u>4,313</u>
Total comprehensive income for the year		<u>13,103</u>	<u>8,576</u>
Earnings per share:		Cents	Cents
Basic & diluted earnings per share	32	16.74	10.26

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

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	1,831	1,468
Trade and other receivables	10	222	188
Inventories	11	1,335	1,190
Other assets	12	486	312
TOTAL CURRENT ASSETS		3,874	3,158
NON-CURRENT ASSETS			
Receivables	13	5	7
Property, plant and equipment	14	48,723	40,704
Investment properties	15	48,150	35,535
Intangible assets	16	2,368	2,370
TOTAL NON-CURRENT ASSETS		99,246	78,616
TOTAL ASSETS		103,120	81,774
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	4,484	3,469
Lease liabilities	3	227	217
Provisions	18	588	531
Income Tax Payable		396	3
TOTAL CURRENT LIABILITIES		5,695	4,220
NON-CURRENT LIABILITIES			
Lease liabilities	3	224	451
Borrowings	19	31,432	27,885
Provisions	20	44	41
Deferred tax liability	8(c)	7,986	4,426
TOTAL NON-CURRENT LIABILITIES		39,686	32,803
TOTAL LIABILITIES		45,381	37,023
NET ASSETS		57,739	44,751
EQUITY			
Contributed equity	21	27,276	25,938
Reserves	22(a)	16,685	10,604
Retained profits	22(b)	13,778	8,209
TOTAL EQUITY		57,739	44,751

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Contributed equity \$'000	Revaluation surplus \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 2020		25,938	6,291	3,946	36,175
Profit for the year		-	-	4,263	4,263
Revaluation of land and buildings - gross	14	-	5,828	-	5,828
Income tax relating to components of other comprehensive income	8(d)	-	(1,515)	-	(1,515)
Total comprehensive income for the year		-	4,313	4,263	8,576
Balance at 30 June 2021		25,938	10,604	8,209	44,751
Profit for the year		-	-	7,022	7,022
Revaluation of land and buildings - gross	14	-	8,108	-	8,108
Income tax relating to components of other comprehensive income	8(d)	-	(2,027)	-	(2,027)
Total comprehensive income for the year		-	6,081	7,022	13,103
Dividend paid to shareholders	23	-	-	(1,453)	(1,453)
Contributions of equity net of transaction costs		1,338	-	-	1,338
Balance at 30 June 2022		27,276	16,685	13,778	57,739

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,843	28,976
Payments to suppliers and employees		(23,791)	(22,961)
Payment of insurance premiums		(278)	-
COVID-19 receipt of deferred payments from customers		-	125
COVID-19 payment of deferred Government charges		(156)	-
COVID-19 Government subsidies		15	474
Interest received		2	-
Finance costs		(562)	(519)
Income tax refund received		219	402
Income tax paid		(403)	(218)
Net cash inflows from operating activities	30	4,889	6,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment property	15	(6,379)	-
Payments for investment properties		(373)	(291)
Payments for property, plant & equipment		(910)	(4,494)
Payments for intangibles	16	-	(568)
Net cash outflows used in investing activities		(7,662)	(5,353)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		10,000	3,890
Repayment of borrowings		(6,465)	(3,856)
Loan establishment costs		(29)	(2)
Repayment of lease liabilities		(231)	(183)
Share issue costs		(8)	-
Dividends paid		(131)	-
Net cash (outflows) inflows from financing activities		3,136	(151)
Net increase in cash and cash equivalents		363	775
Cash and cash equivalents at beginning of year		1,468	693
Cash and cash equivalents at end of year	9	1,831	1,468

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

Notes to the financial statements**1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity of Eumundi Group Limited and its subsidiaries. Financial information for the parent entity is disclosed in note 24. It has been prepared on the same basis as the consolidated financial statements, as set out below.

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation to fair value for certain classes of assets and liabilities as described in the accounting policies.

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant are disclosed in note 4.

Changes in Accounting Standards and regulatory requirements

From 1 July 2021, the Group had applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning 1 July 2021.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

Ongoing Operations

The financial report has been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2022, the Group has \$1,831,000 in cash and cash equivalents (2021: \$1,468,000), net assets of \$57,739,000 (2021: \$44,751,000) and available undrawn commercial loan facilities of \$8,974,000 (2021: \$2,509,000). Profit before tax and fair value adjustments was \$3,688,000 (2021: \$3,083,000). The Group uses non-current commercial borrowing facilities to manage fluctuations in cash flows. The net current liability position of \$1,821,000 (2021: \$1,062,000 net current liability) is due to the timing of end of year payments and receipts.

Measures are in place to manage the Group's ongoing operations which include, amongst others, continued monitoring of operating costs, further draw down of available facilities (refer to note 19), and availability of additional borrowing facilities negotiated with the Group's financier on favourable terms and conditions.

(b) Principles of consolidation*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All subsidiaries are fully owned.

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

(c) Segment reporting

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

(d) Revenue

The Group owns and operates public hotels with bar, bistro, and gaming facilities, conducts commercial and retail liquor sales through owned and leased premises and owns hotel and commercial retail real estate leased to external customers.

Revenue from contracts with customers

On-premise food and liquor revenue and retail liquor revenue is recognised when the performance obligation to transfer control of the goods to the customer is satisfied at point of sale or delivery.

Gaming revenue is the net difference between gaming wins and losses measured by daily banking, net of jackpot liability movement.

Revenue from commissions is derived from provision of product placement, product ranging and advertising services to suppliers at a point in time. The performance obligation on these revenue items is satisfied at the point of delivery services.

Revenue from rebates relates to purchase of nominated products in accordance with supplier contracts. Revenue is recognised at the time of product purchase.

Assets related to contracts with customers are disclosed in note 10. The Group does not have any liabilities related to contracts with customers.

Interest revenue

Interest revenue is derived in accordance with lease contracts over time. Interest revenue is recognised as the interest accrues using the effective interest rate method. The interest rates used are those specified in the lease agreements.

Lease revenue

Rental income from investment properties is recognised on a straight-line basis over the lease term. Recoverable outgoings are estimated for the year ahead, charged monthly in advance on the basis of that estimate and then trued up annually to audited actual recoverable outgoings expenditure resulting in an audited outgoings recoverable adjustment.

(e) COVID-19 subsidies

Temporary government subsidies arising from measures taken by various levels of government and benefiting the Group have been recorded within expenses. During the current year, State Government grants received in respect of the mandatory 8 day closure of the Ashmore Tavern and Aspley Central Tavern were recognised at the time that there was reasonable certainty that the grant would be received.

In the prior year, land tax and payroll tax refunds and the Australian Government's 'Boosting Cashflow' support were recorded within Government Subsidies on an accrual basis. Receipts from the Australian Federal Government's JobKeeper program were recorded on a systematic basis in the month to which the JobKeeper lodgement related. To the extent that employees received payments under JobKeeper which were not offset by wages earned in the course of operations, these 'top-up' payments were offset against the JobKeeper subsidy. Top-up payments totalling \$17,000 were made in the prior year.

(f) Income tax

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

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

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

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

Tax consolidation legislation

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or realise the asset and settle the liability simultaneously. Eumundi Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8(f).

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

(g) Leases*(i) As a lessee*

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liability – recognition and measurement

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12 months or less and leases of low-value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

The respective leased assets are included in the statement of financial position based on their nature.

(h) Impairment of assets – non-financial assets

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables*Trade and other receivables*

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost using the effective interest rate method.

- (a) assets are tested for impairment by applying the 'expected credit loss' impairment model;
- (b) debt instruments measured at amortised cost; and
- (c) receivables from contracts with customers and contract assets.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

(k) Inventories

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

(l) Financial instruments*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

The Group has no financial assets at FVtOCI or FVtPL.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value. All other financial liabilities recognised by the Group are subsequently measured at amortised cost. Refer to note 1(q) for further disclosure on trade and other payables.

The Group has no financial liabilities classified as held-for-trading, designated at FVtPL or has no contingent consideration payable for the acquisition of a business.

(m) Fair value estimation

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

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

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

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

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

(n) Property, plant and equipment

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

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

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

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

Buildings	5-40 years
Plant and equipment	2-10 years
Lease assets	2-5 Years

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

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

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

(o) Investment properties

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

(p) Intangible assets*(i) Hotel licences*

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

(ii) Gaming authorities

Gaming authorities have no expiry date and can only be withdrawn or cancelled by a government authority under circumstances of breach or legislative change. They are deemed to have an indefinite useful life and are carried at cost less any impairment losses. Intangible assets with an indefinite useful life are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired. An impairment loss is recognised when the carrying amount of an asset exceeds the assets' recoverable amount. Gaming authorities are tested for impairment on an individual asset basis.

(q) Trade and other payables

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

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

(r) Employee benefits*(i) Short-term obligations*

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

(ii) Other long-term benefit obligations

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

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

(iii) Retirement benefit obligations

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

(s) Borrowings

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

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

(t) Contributed equity

Ordinary shares are classified as equity.

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

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

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

(ii) Diluted earnings per share

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

(v) Dividends

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

(w) Goods and services tax (GST)

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

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations issued but not operative as at 30 June 2022

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. None of these are expected to result in any material change to the Group's financial statements in the period of initial application. The Group intends to apply the accounting standards and interpretations in the period commencing on or after their effective dates.

(z) General

This financial report was authorised for issue on 29 August 2022 in accordance with a resolution of the directors. The report covers the consolidated entity consisting of Eumundi Group Limited and its controlled entities.

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

Principal places of business:

- 161 Cotlew St, Ashmore QLD 4214

Other places of business:

- Ashmore Tavern, Corner of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Aspley Shopping Centre (including Aspley Central Tavern), 1374-1378 Gympie Rd, Aspley Qld 4034
- Aspley Arcade Shopping Village, 1364-1368 Gympie Rd, Aspley Qld 4034
- The Plough Inn, Southbank, Qld 4101
- The Court House Hotel, 60 Murwillumbah Street, Murwillumbah NSW 2484

Registered office:

- Level 8, 1 Eagle Street, Brisbane Qld 4000

Notes to the financial statements

For the year ended 30 June 2022

(continued)

2. Financial risk management

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

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

The Group holds the following financial instruments:

	2022	2021
	\$'000	\$'000
Financial assets (at amortised cost)		
Cash and cash equivalents	1,831	1,468
Trade and other receivables	222	188
	<u>2,053</u>	<u>1,656</u>
Financial liabilities (at amortised cost)		
Trade and other payables	4,484	3,469
Borrowings	31,432	27,885
Lease liability	451	668
	<u>36,367</u>	<u>32,022</u>

Refer to note 19(a) for information on assets pledged as security by the Group.

(a) Market risk

Interest rate risk

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

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

The Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities at reporting date are:

	30 June 2022		30 June 2021	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Finance facilities	2.21%	31,459	2.01%	27,924

Sensitivity

At 30 June 2022, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$236,000 lower/higher (2021: change of 100 bps: \$207,000 lower/ higher) as a result of a change in interest from borrowings. Weighted average interest rates exclude facility fees paid on undrawn facilities.

(b) Credit risk

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

The Group extends credit only to recognised, creditworthy third parties. In addition, trade and other debtor receivable balances are monitored on a continual basis. The Group's exposure to expected credit losses is not significant.

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

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

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

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group has a voluntary working capital deficiency based on its capital management strategy of paying down debt with excess cash.

As at 30 June 2022, none of the Group's commercial loans are payable in the next 12 months (2021: nil).

Refinancing risk

Refinancing risk is the risk that the group will be unable to refinance its debt facilities as they mature, or will only be able to finance its debt facilities at unfavourable interest rates and credit market conditions (margin price risk)

The Group has several debt facilities with varying maturity dates to reduce the exposure to market conditions in any one period, and proactively manages renewal of maturing facilities to ensure renewal is achieved at competitive market terms.

Maturity of financial liabilities

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

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

At 30 June 2022	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
Non-derivatives	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	4,484	-	-	-	4,484	4,484
Commercial loans	396	351	21,899	10,052	32,698	31,432
Lease liabilities	118	118	131	97	464	451
Total	4,998	469	22,030	10,149	37,646	36,367

At 30 June 2021	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
Non-derivatives	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	3,469	-	-	-	3,469	3,469
Commercial loans	283	283	28,200	-	28,766	27,885
Lease Liabilities	115	116	236	228	695	668
Total	3,867	399	28,436	228	32,930	32,022

Notes to the financial statements

For the year ended 30 June 2022

(continued)

(d) Fair value

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

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. The fair value of lease liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the incremental interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

3. Leases

Real estate leases as lessee

The Group leases premises for retail liquor stores. The leases typically run for periods of five years and can include an option for one or more additional lease terms. Options are exercisable only by the Group and not by the lessors. Lease payments are subject to annual price adjustments based on either fixed percentage increases or consumer price index related increases.

At the commencement date of a lease (other than short term leases of 12 months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments.

	2022	2021
	\$'000	\$'000
Lease asset (refer to note 14)		
Carrying amount – 1 July	663	392
Additions	-	591
Depreciation charge	(189)	(164)
Disposals	-	(156)
Carrying amount – 30 June	<u>474</u>	<u>663</u>
Lease liability		
Opening balance - 1 July	668	432
Additions	-	591
Interest expense – unwinding of discount	14	13
Disposal of lease	-	(185)
Lease payments	(231)	(183)
Carrying amount – 30 June	<u>451</u>	<u>668</u>
Current lease liability	227	217
Non-current lease liability	<u>224</u>	<u>451</u>
Total lease liability	<u>451</u>	<u>668</u>
Expenses excluded from the measurement of lease liabilities:		
Short term leases	-	3

4. Critical accounting estimates and judgements

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

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

4. Critical accounting estimates and judgements (continued)

Asset valuations

The Group has investment properties with a carrying amount of \$48,150,000 (2021: \$35,535,000), and land and buildings (included in property, plant and equipment) with a carrying amount of \$46,833,000 (2021: \$38,300,000) representing estimated fair value. A reconciliation of movements in the carrying value of these assets during the year is disclosed in notes 14 and 15. Gains recognised on the revaluation of investment properties in the period totalling \$5,447,000 (2021: gain \$2,390,000) are included in the Consolidated Statement of Comprehensive Income. Gains on the revaluation of land and buildings in the year totalling \$8,108,000 (2021: gain of \$5,828,000) are recognised in the revaluation reserve in equity, net of tax, in accordance with the accounting policy described in note 1(n).

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

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

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

The carrying amounts in the current year are based upon directors' valuations. The director valuations used the capitalisation of net market income approach. In the prior year the valuations were based on external valuations where the valuation approach used for retail assets was the capitalisation of net market income and discounted cash flow approach, and the valuation approach used for hotel assets was the capitalisation of net market income and the direct comparison approach.

Method	Description
Discounted cash flow method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Direct comparison approach	Where land is valued, a direct comparison approach is used which is a procedure where a value is derived by comparing the land being valued to similar land that has been sold and adjusting the value for property specific attributes.
Capitalisation of net income method	This method involves assessing the total net income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital reversions.

The table below explains the key inputs used to measure fair value under the capitalisation of net income method described above.

Input	
Net market rent/market EBITDA	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regard to market evidence.
Perpetual vacancy allowance	A reduction applied to net market rent prior to capitalisation to reflect expected prevailing vacancies over the life of the asset. The percentage allowance is determined with regard to market evidence.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regard to market evidence.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence.
Adopted market EBITDA	The earnings before interest, taxation, depreciation, amortisation, and rent expense determined as achievable for the subject property, having regard to market evidence and trading performance history

4. Critical accounting estimates and judgements (continued)

Categories of tangible assets measured at fair value

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

Retail assets - The Plough Inn, Court House Hotel, Aspley Arcade Shopping Village, and land and buildings of the Aspley Shopping Centre (with a value determined by reference to the retail component as described in note 15) with a value derived from the capitalisation of net market income.

Tavern assets – Ashmore Tavern land and buildings with a value derived from the capitalisation of net market income method .

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

Category	Fair value hierarchy	2022 Directors' valuation		2021 Independent valuation	
Method		Capitalisation of net market income		Capitalisation of net market income and discounted cash flow	
Retail assets	Level 3	Inputs used to measure fair value	Range of unobservable inputs	Inputs used to measure fair value	Range of unobservable inputs
		Adopted capitalisation rate	5.0%-5.75%	Adopted capitalisation rate	6.25%-6.5%
		Perpetual vacancy allowance	0%-3.5%	Perpetual vacancy allowance	0%-3.5%
		Net market rental (per sqm)	\$325-\$1,007	Net market rental (per sqm)	\$315-\$970
		Adopted discount rate	n/a	Adopted discount rate	7.5%
		Terminal yield	n/a	Terminal yield	6.25% -6.75%
Method		Capitalisation of net market income		Capitalisation of net market income and direct comparison	
Tavern assets	Level 3	Inputs used to measure fair value	Range of unobservable inputs	Inputs used to measure fair value	Range of unobservable inputs
		Adopted capitalisation rate	9.0%	Adopted capitalisation rate	9.25%
		Adopted market EBITDA	\$3,111,000	Adopted market EBITDA	\$2,563,000

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

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

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

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

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

5. Segment information**Description of segments**

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

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

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

Reportable segments*Hotel operations*

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

Investment property operations

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

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

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

Inter-segment transactions

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

Segment assets and liabilities

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

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

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

Unallocated items

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

Notes to the financial statements

For the year ended 30 June 2022

(continued)

5. Segment information (continued)

	Hotel operations	Investment property operations	Total
2022	\$'000	\$'000	\$'000
Revenue			
Revenue from contracts with customers	23,465	-	23,465
Lease revenue	-	4,160	4,160
Other revenue	579	-	579
Total segment revenue	24,044	4,160	28,204
Interest Revenue			2
Inter-segment revenue			(522)
Total revenue			27,684
Results			
Segment results	2,212	3,103	5,315
Finance expenses			(693)
Unallocated revenue less unallocated expenses			(934)
Fair value adjustment on investment properties			5,447
Loss before income tax			9,135
Income tax expense			(2,113)
Loss for the year			7,022
Assets			
Segment assets	25,750	77,273	103,023
Unallocated assets			97
Total assets			103,120
Depreciation and amortisation	1,313	471	1,784
Unallocated			2
Total depreciation and amortisation			1,786

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

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

Inter-segment revenue of \$522,000 in the current year relates to Aspley Central Tavern rent and outgoings (2021: \$503,000).

Notes to the financial statements

For the year ended 30 June 2022

(continued)

5. Segment information (continued)

	Hotel operations	Investment property operations	Total
2021	\$'000	\$'000	\$'000
Revenue			
Revenue from contracts with customers	22,909	-	22,909
Lease revenue	-	3,316	3,316
Other revenue	494	-	494
Total segment revenue	23,403	3,316	26,719
Inter-segment revenue			(503)
Total revenue			26,216
Results			
Segment results	2,116	2,293	4,409
Finance expenses			(558)
Unallocated revenue less unallocated expenses			(768)
Fair value adjustment on investment properties			2,390
Loss before income tax			5,473
Income tax expense			(1,210)
Loss for the year			4,263
Assets			
Segment assets	23,010	58,535	81,545
Unallocated assets			229
Total assets			81,774
Depreciation and amortisation	1,332	355	1,687
Unallocated			4
Total depreciation and amortisation			1,691

6. Revenue

	2022 \$'000	2021 \$'000
Revenue from contracts with customers		
At a point in time		
Sale of goods	13,640	12,745
Gaming revenue	9,826	10,163
Other revenue		
Commissions	300	277
Interest	2	-
Rebates	279	217
	24,047	23,402
Lease revenue		
Rental income and recoverable outgoings from investment properties	3,637	2,814
Total revenue	27,684	26,216

Disaggregation of revenue from contracts with customers

Revenue derived in Queensland \$27,492,000 (2021: \$26,216,000). Revenue derived in NSW \$424,000 (2021: nil).

Notes to the financial statements

For the year ended 30 June 2022

(continued)

7. Expenses	2022	2021
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Cost of goods sold	8,548	8,169
Depreciation		
- Buildings	958	836
- Plant and equipment	637	688
- Lease assets	189	164
Total depreciation	<u>1,784</u>	<u>1,688</u>
Amortisation – intangibles	2	3
Loss on disposal of plant and equipment	14	-
Finance costs		
- Amortisation of loan establishment costs	41	29
- Interest and finance charges paid/payable	640	516
	<u>681</u>	<u>545</u>
Unwinding of discount on lease liabilities	14	13
Total finance costs	<u>695</u>	<u>558</u>
Defined contribution superannuation expense	375	341
8. Income tax		
(a) Income tax (benefit)/expense		
Current tax expense	667	221
Deferred tax expense	1,619	1,101
Effect of change in tax rate	(174)	(113)
Under provision in prior years (deferred tax)	38	20
Over provision in prior years (current tax)	(37)	(19)
	<u>2,113</u>	<u>1,210</u>
(b) Numerical reconciliation of income tax to prima facie tax payable is as follows:		
Profit before income tax - continuing operations	9,135	5,473
Income tax at the Australian tax rate of 25.0% (2021: 26.0%)	2,284	1,423
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible/(non-taxable) items	2	(101)
Effect of change in tax rate	(174)	(113)
Under provision in prior years (current and deferred tax)	1	1
Income tax expense	<u>2,113</u>	<u>1,210</u>
(c) Deferred income tax at 30 June relates to the following:		
Investment properties	(3,320)	(1,759)
Property, plant and equipment	(5,277)	(3,353)
Lease liabilities	79	174
Lease assets	(75)	(172)
Employee benefits	147	138
Accrued expenses	28	27
Prepayments	(72)	(4)
Sundry items	5	4
Tax losses	499	519
Net deferred tax liabilities	<u>(7,986)</u>	<u>(4,426)</u>
Movement in deferred tax:		
At 1 July	(4,426)	(1,903)
Charged to profit or loss	(1,619)	(1,101)
Effect of change in tax rate	174	113
Over provision in prior years	(38)	(20)
Offset of franking surplus from prior years	(52)	-
Credited to contributed equity	2	-
Charged to other comprehensive income	(2,027)	(1,515)
At 30 June	<u>(7,986)</u>	<u>(4,426)</u>

Notes to the financial statements

For the year ended 30 June 2022

(continued)

8. Income tax (continued)

	2022	2021
	\$'000	\$'000
(d) Tax expense relating to items of other comprehensive income		
Gain (loss) on revaluation of land and buildings	2,027	1,515
(e) Amounts relating to items recognised directly in contributed equity		
Share issue costs	2	-

(f) Tax consolidation legislation

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

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

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

(g) Franking credits

	2022	2021
	\$'000	\$'000
Franking credits/(deficit) available for subsequent financial years based on a tax rate of 25.0% (2021: 26.0%)	397	(182)

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

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

9. Cash and cash equivalents

Cash at bank and in hand	1,831	1,468
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The Group's exposure to interest rate risk is discussed in note 2(a).

10. Trade and other receivables

Receivables from contracts with customers	177	147
Other receivables	45	41
	<u>222</u>	<u>188</u>

Fair value and credit risk

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

11. Inventories

Finished goods – at cost	<u>1,335</u>	<u>1,190</u>
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Inventories recognised as expense during the period ended 30 June 2022 amounted to \$8,548,000 (2021: \$8,169,000).

Notes to the financial statements

For the year ended 30 June 2022

(continued)

12. Other current assets	2022 \$'000	2021 \$'000
Short term deposits	196	29
Prepayments	290	283
	486	312

13. Non-current assets - Receivables

Receivables from contracts with customers	5	7
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14. Property, plant and equipment

	Freehold land At fair value \$'000	Buildings At fair value \$'000	Plant and equipment At cost \$'000	Lease assets At cost \$'000	Total \$'000
Year ended 30 June 2021					
Opening net book amount	9,440	19,900	1,964	392	31,696
Revaluation increment	760	5,069	-	-	5,829
Additions	-	3,737	757	591	5,085
Transfers	-	292	(292)	-	-
Disposals	-	-	-	(156)	(156)
Straight-line adjustments and lease incentives	-	(62)	-	-	(62)
Depreciation charge	-	(836)	(688)	(164)	(1,688)
Closing net book amount	10,200	28,100	1,741	663	40,704
At 1 July 2021					
Cost or fair value	10,200	28,100	3,980	942	43,222
Accumulated depreciation	-	-	(2,239)	(279)	(2,518)
Net book amount	10,200	28,100	1,741	663	40,704
Year ended 30 June 2022					
Opening net book amount	10,200	28,100	1,741	663	40,704
Revaluation increment	800	7,308	-	-	8,108
Additions	-	1,216	321	-	1,537
Transfers	-	-	-	-	-
Disposals	-	(4)	(9)	-	(13)
Straight-line adjustments and lease incentives	-	171	-	-	171
Depreciation charge	-	(958)	(637)	(189)	(1,784)
Closing net book amount	11,000	35,833	1,416	474	48,723
At 30 June 2022					
Cost or fair value	11,000	35,833	3,068	942	50,843
Accumulated depreciation	-	-	(1,652)	(468)	(2,120)
Net book amount	11,000	35,833	1,416	474	48,723

Land and buildings includes Ashmore Tavern and Aspley Shopping Centre.

Lease assets represents lease contracts in which the company is lessee of retail premises and gaming machines purchased utilising deferred payment terms.

(a) Valuation of land and buildings

Information on the basis for determining the fair value of land and buildings at balance date, including a description of significant valuation inputs, is contained within note 4.

(b) Non-current assets pledged as security

Refer to note 19(a) for information on assets pledged as security by the Group.

(c) Contractual obligations

Refer to note 28 for information on contractual obligations.

Notes to the financial statements

For the year ended 30 June 2022

(continued)

14. Property, plant and equipment (continued)

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

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

	2022 \$'000	2021 \$'000
Freehold land		
Cost or deemed cost	7,426	7,426
Net book amount	<u>7,426</u>	<u>7,426</u>
Buildings		
Cost or deemed cost	21,134	20,753
Accumulated depreciation	(4,414)	(2,147)
Net book amount	<u>16,720</u>	<u>18,606</u>

15. Investment properties

	2022 \$'000	2021 \$'000
At fair value		
At beginning of year	35,535	32,700
Acquisition of investment property	6,379	-
Capitalised expenditure	762	435
Straight-line rentals and lease incentives	27	10
Net gain (loss) from fair value adjustment	5,447	2,390
At end of year	<u>48,150</u>	<u>35,535</u>

(a) Acquisitions

On 2 August 2021, the Group purchased the land and buildings of the Court House Hotel, Murwillumbah NSW, for \$6,000,000 (being the purchase price) plus acquisition costs of \$379,000. Prior to acquisition, the Court House Hotel was independently valued by a member of the Australian Property Institute at \$6,100,000 to assess the reasonableness of that proposed price.

Acquisition costs included stamp duty, legal fees, commissions and other ancillary costs.

(b) Valuation basis

Information on the basis for determining the fair value of investment properties at balance date, including a description of significant valuation inputs, is contained within note 4.

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

Property	Acquisition Date	Cost Including Additions*	Last Independent Valuation		Book Value	
			Date	\$'000	2022	2021
Aspley Arcade Shopping Village	Jun 2007	16,133	June 2021	18,500	21,400	18,535
Plough Inn	Nov 2017	13,100	June 2021	17,000	19,250	17,000
Court House Hotel	Aug 2021	6,379	June 2021	6,100	7,500	-
					<u>48,150</u>	<u>35,535</u>

* excluding acquisition costs

Notes to the financial statements

For the year ended 30 June 2022

(continued)

15. Investment properties (continued)

(c) Leasing arrangements – group as lessor

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

	2022	2021
	\$'000	\$'000
Within one year	3,769	2,826
Later than one year but not later than two years	3,825	2,824
Later than two years but not later than three years	3,637	2,818
Later than three years but not later than four years	3,510	2,639
Later than four years but not later than five years	3,324	2,534
Later than five years	14,633	12,735
Total	<u>32,698</u>	<u>26,376</u>

(d) Non-current assets pledged as security

Refer to note 19(a) for information on assets pledged as security by the Group.

(e) Contractual obligations

Refer to note 28 for information on contractual obligations.

16. Intangible assets

	2022	2021
	\$'000	\$'000
Gaming authorities at cost	<u>2,315</u>	<u>2,315</u>
Hotel licenses at cost	104	104
Accumulated amortisation	(51)	(49)
Net carrying value	<u>53</u>	<u>55</u>
Net carrying value of intangibles	<u>2,368</u>	<u>2,370</u>

	Hotel Licences	Gaming Authorities	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2021			
Opening net book amount	58	1,747	1,805
Additions	-	568	568
Amortisation charge	(3)	-	(3)
Closing net book amount	<u>55</u>	<u>2,315</u>	<u>2,370</u>
Year ended 30 June 2022			
Opening net book amount	55	2,315	2,370
Amortisation charge	(2)	-	(2)
Closing net book amount	<u>53</u>	<u>2,315</u>	<u>2,368</u>

Gaming authorities are carried at cost less impairment losses. Under Australian Accounting Standards, the maximum cost recognisable by the Group for these authorities is the purchase cost of \$2,315,000 representing five authorities acquired by the Ashmore Tavern in July 2013 at a cost of \$478,000, seven authorities acquired by the Aspley Central Tavern in April 2019 at a cost of \$1,269,000 and three authorities acquired by the Aspley Central Tavern in March 2021 at a cost of \$568,000.

As part of the Group's annual review of impairment the net realisable value is determined using the most recent price at auction for gaming authorities as issued by the Queensland Government Office of Liquor and Gaming Regulation less selling costs.

At 30 June 2022, based on the most recent tender held on 13 April 2022, the sale price net of GST and selling costs was \$179,136 per authority, representing a net realisable value of \$16,122,000 for the Group's 90 gaming authorities. (2021: \$125,960 per authority based on the tender held 24 March 2021 representing a net realisable value of \$11,336,000 for the Group's 90 gaming authorities).

Notes to the financial statements

For the year ended 30 June 2022

(continued)

17. Trade and other payables	2022 \$'000	2021 \$'000
Trade payables	2,568	2,182
Other payables and accruals	1,916	1,287
	4,484	3,469

18. Current liabilities – Provisions		
Employee benefits	588	531

19. Non-current liabilities - Borrowings	2022 \$'000	2021 \$'000
Commercial loans – secured	31,432	27,885

(a) Assets pledged as security

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

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

As such all assets are pledged as security for borrowings.

(b) Financing arrangements

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

Credit standby arrangements	2022 \$'000	2021 \$'000
Total facilities		
Bank overdraft	100	100
Bank guarantee facility	100	100
Direct debit facility	250	250
Commercial loan facilities	40,000	30,000
	40,450	30,450
Used at balance date		
Bank overdraft	-	-
Bank guarantee facility	17	17
Direct debit facility	-	-
Commercial loan facilities *	31,459	27,924
	31,476	27,941
Unused at balance date		
Bank overdraft	100	100
Bank guarantee facility	83	83
Direct debit facility	250	250
Commercial loan facilities	8,541	2,076
	8,974	2,509

The amount recognised in the consolidated statement of financial position is net of discounts and other transaction costs plus interest accrual.

On 15 July 2021, the Group renegotiated its commercial debt facilities on favourable terms, increasing approved commercial bill limits by \$10,000,000 to \$40,000,000 and securing tenure of new facilities between two and three years.

From 30 September 2022, the facility limit on one of the Group's facilities will automatically reduce by \$125,000 per quarter. All other facilities are interest only until expiry.

Bank overdraft

Standby funds provided by the Group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2021: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

Notes to the financial statements

For the year ended 30 June 2022

(continued)

19. Non-current liabilities – Borrowings (continued)

Facilities

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

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

Facility Limit		Amount drawn (Face Value)		Interest rate		Expiry Date
2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 %	2021 %	
10,000	-	10,000	-	1.89	-	31 July 2024
9,000	9,000	9,000	9,000	2.36	1.69	31 October 2023
10,000	10,000	1,459	9,004	3.35	2.69	31 October 2023
11,000	11,000	11,000	9,920	2.35	1.69	31 October 2023
40,000	30,000	31,459	27,924			

20. Non-current liabilities – Provisions

	2022 \$'000	2021 \$'000
Make – good provisions	44	41

21. Contributed equity

	2022 Number of shares	2021 Number of shares	2022 \$'000	2021 \$'000
Share capital				
Fully paid ordinary shares	42,902,666	41,543,333	27,276	25,938

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

Movements in share capital	Number of Shares	Average Issue Price	\$'000
Year ended 30 June 2021		\$	
Opening amount	41,543,333		25,938
Balance at 30 June 2021	41,543,333		25,938
Year ended 30 June 2022			
Opening amount	41,543,333		25,938
Shares issued under share-based payments	20,000	1.05	21
Shares issued under the DRP	1,339,333	0.988	1,323
Share issue costs (net of tax)	-		(6)
Balance at 30 June 2022	42,902,666		27,276

No shares were issued during the year ended 30 June 2021.

Options

As at 30 June 2022, there were no options to purchase ordinary shares in the parent entity (2021: Nil).

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not have a current on-market buy-back.

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

Notes to the financial statements

For the year ended 30 June 2022

(continued)

21. Contributed equity (continued)

The gearing ratios as at 30 June were as follows:

	2022 \$'000	2021 \$'000
Total borrowings	31,432	27,885
Less: cash and cash equivalents	(1,831)	(1,468)
Net debt	29,601	26,417
Total equity	57,739	44,751
Total capital	87,340	71,168
Gearing ratios		
Net debt/equity	51.3%	59.0%
Net debt/total capital	33.9%	37.1%

Eumundi Group Limited has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 financial years.

22. Reserves and retained profits**(a) Reserves**

	2022 \$'000	2021 \$'000
Land and building revaluation surplus	16,685	10,604

*Movements in reserves:**Land and building revaluation surplus*

Balance at the beginning of the year	10,604	6,291
Gain on revaluation of freehold land and buildings (net of tax) *	6,081	4,313
Balance at the end of the year	16,685	10,604

* Gain before tax of \$8,108,000 (2021: gain before tax of \$5,829,000)

(b) Retained profits

Retained profits at the beginning of the year	8,209	3,946
Profit for the year attributable to owners of the company	7,022	4,263
Dividend paid to shareholders	(1,453)	-
Retained profits at the end of the year	13,778	8,209

(c) Nature and purpose of reserves

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

23. Dividends

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

	2022 \$'000	2021 \$'000
No final dividend was declared or paid with respect to the year ended 30 June 2021 (2021: nil)	-	-
Unfranked interim dividend of 3.50 cents per fully paid ordinary share paid on 14 March 2022 (2021: nil)	1,453	-
Proposed final dividend of 3.5 cents per fully paid ordinary share fully franked (at 25%) not yet brought to account in the financial statements payable on 13 September 2022 (2021: nil)	1,501	-

Notes to the financial statements

For the year ended 30 June 2022

(continued)

24. Parent entity financial information

(a) Summary financial information

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

	2022 \$'000	2021 \$'000
<i>Statement of financial position</i>		
Non-current assets	37,985	26,264
Total assets	37,985	26,264
Current liabilities	396	3
Total liabilities	396	3
<i>Shareholders' equity</i>		
Issued capital	27,276	25,938
Retained earnings	10,313	323
	37,589	26,261
Profit for the year ¹	11,444	80
Total comprehensive income ¹	11,444	80

During the current year, previous years provisions for diminution of the parent entity's investment in a wholly owned subsidiary and loans to that entity were reassessed resulting in a profit of \$11,444,000.

(b) Guarantees entered into by the parent entity

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

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

(c) Contingent assets and liabilities of the parent entity

The individual parent entity had no contingent assets or liabilities.

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

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

25. Related party information

(a) Key management personnel remuneration

	2022 \$	2021 \$
Short-term employee benefits	377,641	367,385
Long-term benefits	4,406	4,415
Post-employment benefits	35,611	30,074
Share based payments	21,000	-
	438,658	401,874

(b) Transactions with related parties

	2022 \$	2021 \$
Dividends paid to key management personnel	703,748	-
Subscription for new ordinary shares by key management personnel as a result of:		
- the reinvestment of dividends	703,748	-

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

There were no other related party transactions in the current or prior year.

Notes to the financial statements

For the year ended 30 June 2022

(continued)

26. Auditor's remuneration

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

	2022	2021
	\$	\$
Audit and review of financial reports	77,000	74,000
Tax compliance services	7,200	6,390
	<u>84,200</u>	<u>80,390</u>

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

No payments were made to non-related audit firms in the current or prior year.

27. Contingent liabilities

The Group has no material contingencies.

28. Commitments

As at 30 June 2022 the Group had the following contractual obligations:-

Construction costs for the completion of kitchen expansion and bathroom amenities upgrade at the Ashmore Tavern \$521,000; and
Purchase of Ashmore Tavern kitchen equipment \$152,000.

The Group had no other contractual obligations as 30 June 2022 (2021: nil).

29. Subsidiaries

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

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

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2022	2021
Eumundi Property Group Pty Ltd	Australia	Ordinary	100%	100%
Eumundi Group Hotels Pty Ltd	Australia	Ordinary	100%	100%
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%

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

Notes to the financial statements

For the year ended 30 June 2022

(continued)

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

	2022	2021
	\$'000	\$'000
Profit (loss) for the year	7,022	4,263
Depreciation and amortisation	1,786	1,691
Amortisation of loan establishment cost	41	29
Share based payments	21	-
Unwinding of discount	14	13
Straight-line rental adjustment	(255)	(178)
Loss on disposal of property, plant and equipment	14	-
Rent incentive	(251)	230
Net gain on fair value adjustment of investment properties	(5,447)	(2,390)
Net gain on disposal of lease	-	(29)
Changes in operating assets and liabilities (net of assets disposed):		
(Increase) decrease in:		
Trade and other receivables	(96)	235
Inventories	(145)	(39)
Other current assets	(22)	(266)
Increase (decrease) in:		
Trade and other payables	140	1,287
Accrued interest	78	(3)
Income tax payable	393	387
Deferred tax liability*	1,536	1,008
Employee benefits	57	65
Other provisions	3	(24)
Cash flows from operating activities	<u>4,889</u>	<u>6,279</u>

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

Change in Liabilities arising from financing activities

	Borrowings	Lease Liabilities
Balance at 1 July 2020	27,890	432
Net cash from / (used in) in financing activities	34	(183)
Acquisition of leases	-	591
Disposal of leases	-	(185)
Other changes	-	13
Balance at 30 June 2021	<u>27,924</u>	<u>668</u>
Net cash from/(used in) financing activities	3,535	(231)
Other changes	-	14
Balance at 30 June 2022	<u>31,459</u>	<u>451</u>

31. Non-cash investing and financing activities

Additions to the lease asset is disclosed in note 3. During the current year share issues were made under the company's DRP, as disclosed in note 21. There were no other non-cash financing and investing activities during the current or prior year.

32. Earnings per share

(a) Basic & diluted earnings per share	2022	2021
Total basic & diluted earnings per share attributable to owners of the company	16.74¢	10.26¢
(b) Weighted average number of shares used as the denominator	Number of shares	
	2022	2021
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	41,948,120	41,543,333

There are no dilutive potential ordinary shares.

33. Matters subsequent to the end of financial year

Subsequent to 30 June 2022, the Group has completed the replacement of the Ashmore Tavern bathroom facilities and progressed the kitchen extension works which are expected to complete next week at an estimated construction cost of \$1,054,000 of which \$533,000 had been recognised as at 30 June 2022.

Other than the matters referred to above and the proposed final dividend referred to in note 23, there are no other matters or circumstances that have affected or may significantly affect, the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards, and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2022 required by section 295A of the *Corporations Act 2001*.

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



J M Ganim
Director

Dated at Brisbane this 29th day of August, 2022.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Eumundi Group Limited (the "Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of Properties Held Note 14: Property, plant and Equipment Note 15: Investment Properties</p> <p>At 30 June 2022 Eumundi Group Limited valued land and buildings recognised in property, plant and equipment at \$46,833,000 and recognised investment properties valued at \$48,150,000. These assets represent 92% of total assets of \$103,120,000.</p> <p>The 30 June 2022 valuations for all properties were performed by the directors by applying a capitalisation approach valuation methodology. The capitalisation approach applies a capitalisation rate to net operating income or earnings.</p> <p>The valuation process requires that critical accounting estimates and judgements are made to determine unobservable key inputs and assumptions in the valuation process:</p> <ul style="list-style-type: none"> • net market income or earnings; • capitalisation rates; • future vacancy rates; and • incentives and rebates to be granted in future periods. <p>The observable inputs used in the valuations are based on lease terms in place with current tenants.</p> <p>This is a key area of audit focus due to the size of the balances and critical estimates and judgements made by the directors.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the valuation process; • Assessing the competence and capabilities of the directors; • Evaluating the valuation methodology adopted by the directors; • Testing the mathematical accuracy of the valuations; • Evaluating and testing on a sample basis the unobservable key inputs based on our knowledge of the property portfolio and published reports of industry commentators: <ul style="list-style-type: none"> - net market income or earnings; - capitalisation rates; - future vacancy rates - tenant lease terms; and - incentives and rebates to be granted in future periods; • Testing on a sample basis the observable inputs used in the valuations, being the current tenant data to supporting lease documentation. • Evaluating the changes in key inputs and assumptions in the directors' valuations to the most recent external valuations. • Assessed the adequacy of the relevant disclosures in the financial report including the disclosure of observable and unobservable key inputs and assumptions disclosed within the critical accounting estimates and judgements note.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in included in pages 11 to 13 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Eumundi Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



PITCHER PARTNERS


CHERYL MASON
Partner

Brisbane, Queensland
29 August 2022

Shareholder information

The shareholder information below was applicable as at 31 July 2022.

A. Distribution of Equity Securities

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

Ordinary Shares	
1 – 1,000	155
1,001 – 5,000	186
5,001 – 10,000	23
10,001 – 50,000	48
50,001 – 100,000	13
100,001 – 500,000	18
500,001 – 1,000,000	6
1,000,001 and over	12

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There are 53 shareholders who hold less than a marketable parcel of ordinary shares in the company.

B. Equity security holders

Twenty largest quoted equity security holders:

	Number held	Percentage
1. De Luca Group Superannuation Pty Ltd	7,288,639	16.99
2. SCMS Pty Ltd – SJ Shoobridge S/F Account	4,082,406	9.52
3. JP Morgan Nominees Australia Pty Limited	3,410,620	7.95
4. Gansons Pty Ltd	2,833,946	6.61
5. Ganbros Pty Ltd	2,675,426	6.24
6. Ganboys Pty Ltd	2,638,391	6.15
7. Agpro Pty Ltd – Joe Ganim Super A/C	2,327,276	5.42
8. Wilhelm Super Fund A/C	2,047,390	4.77
9. Mrs Tracy Fraser – Tracy Fraser A/C	1,660,121	3.87
10. Mrs Tracy Fraser	1,489,298	3.47
11. National Nominees Limited	1,094,400	2.55
12. Mr Peter Milton Ganim and Mr Paul Calile Ganim – Peter Ganim Super Fund	1,090,638	2.54
13. Laicos Securities Pty Ltd – Fraser Family Super A/C	732,577	1.71
14. Ruminator Pty Ltd	730,000	1.70
15. Mr Paul Ganim and Mrs Alison Ganim – Paul Ganim Super A/C	689,155	1.61
16. Keiser Investments Pty Ltd – Gann Family Retirement A/C	659,839	1.54
17. Mr Joseph Michael Ganim	613,392	1.43
18. KST Group Pty Ltd	533,950	1.24
19. Rogand Superannuation Pty Ltd	407,456	0.95
20. Caske Family Superannuation Pty Ltd	338,084	0.79
Total	37,343,004	87.04

C. Substantial holders

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

	Shares held	Percentage
Joseph Michael Ganim ¹	10,709,063	25.78
Peter Milton Ganim ²	8,475,760	21.44
Paul Calile Ganim ³	8,685,033	20.91
Gilbert De Luca ⁴	7,039,273	16.94
De Luca Group Superannuation Pty Ltd	7,039,273	16.94
Phoenix Portfolios Pty Ltd	3,694,509	9.69
Mrs Tracy Fraser	2,913,647	8.87
SCMS Pty Ltd – SJ Shoobridge S/F Account	3,573,661	8.60
Gansons Pty Ltd	2,599,999	6.58
Ganbros Pty Ltd	2,454,566	6.21
Ganboys Pty Ltd	2,548,124	6.13
Agpro Pty Ltd – Joe Ganim Super Fund	2,134,794	5.40

¹ Includes Agpro Pty Ltd, Ganbros Pty Ltd, Ganboys Pty Ltd and Gansons Pty Ltd

² Includes Ganbros Pty Ltd, Ganboys Pty Ltd and Gansons Pty Ltd

³ Includes Ganbros Pty Ltd, Ganboys Pty Ltd and Gansons Pty Ltd

⁴ Includes De Luca Group Superannuation Pty Ltd

D. Voting rights

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

- a) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- b) Options

There are no options issued by the Group.