eureka
GROUP HOLDINGS

# 2015 annual report

30 June 2015

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eureka GROUP HOLDINGS

ABN: 15 097 241 159

# Chairman's Review

I am delighted to report on what has been a defining year for Eureka Group Holdings Limited ("Eureka" or "the Group") in which we made excellent progress on our village ownership strategy, delivered solid financial results, experienced encouraging support from shareholders and created a strong platform for continued and accelerated growth.

Our vision of being the largest owner/operator of regional seniors rental retirement villages in Australia is within our reach. We are well into our village owner/operator strategy and, as a result of 10 acquisitions completed since April 2014 plus announced contracts to acquire two further villages (one conditional and one unconditional), we are now the owner of 714 units comprising 12 villages - a dramatic increase from the 99 units the Group owned at the end of the previous financial year. With the acquisition of two new management rights during the same time period, we are now the property asset manager of a total of 24 villages nationally with 1,485 units under management.

As a result of this strategy and the effective management of our villages, the Group delivered significantly improved financial results which were at or ahead of market guidance. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $4.1 million, up 173% from the previous financial

year on the back of revenues of $12.212 million, which were up 14.5%. The Group posted a net profit after tax of $3.105 million, a 369% improvement, and basic earnings per share increased to 2.24 cents, a 180% increase from 0.80 cents.

Average occupancy across the Group at 30 June 2015 was 89% which was impacted by lower than average occupancy at the 3 villages recently acquired at Albury, Mildura and Shepparton. If those villages were exclued, the average occupancy across the Group was 93%. As a result of increases in occupancy and cost reduction initiatives undertaken at recently acquired villages, Eureka recognised an investment property fair value revaluation gain of $0.874 million[1].

We were especially pleased with the overwhelming support shown by our shareholders during the year. The $12.3 million capital raising undertaken in May and June 2015 was substantially oversubscribed by both institutional and retail investors,

[1] The capitalisation rates Eureka has historically used remain unchanged.

# Chairman's Review (continued)

demonstrating that our shareholders understand our strategy, believe in our vision and want to grow with us. This raising followed two smaller raisings of $1.4 million and $5.0 million in September and December 2014 respectively, which were also oversubscribed. Coupled with the ongoing support of major trading banks, we now have a much stronger balance sheet from which to pursue our growth objectives.

## Village ownership strategy driving success

Our strategy of transitioning from a specialist management rights operator to full village ownership is critical to delivering higher returns, improved cash conversion and long term value for shareholders. Being both the owner and operator of the assets we manage creates opportunities to strengthen baseline revenues through year-on-year rental growth, while generating new revenue streams through innovative operational management and enhanced service delivery.

Our acquisition strategy is focused on purchasing freehold rental villages that are regional in nature, have a strong demand profile and meet Eureka's stringent return on investment criteria. This strategy gained pace during the year, with a total of nine villages and two management rights acquired. Collectively these are expected to contribute an additional $4.09 million to $4.49 million to the Group's EBITDA on an annualised basis.

Eureka entered FY 2015 as the owner of one village located in Mackay, Queensland. Acquisitions completed during the year included:

- Cascade Gardens, Cairns for $3.137 million
- Avenell Village, Bundaberg and Elizabeth Vale 1, Adelaide for $7.7 million
- Myall Retirement Village, Whyalla for $3.25 million
- Elizabeth Vale 2, Adelaide for $4.386 million
- Eureka Cascade Gardens, Lismore for $4.0 million
- Mardross Gardens, Albury for $2.55 million
- Murray River Gardens, Mildura for $2.25 million
- Shepparton Gardens, Shepparton for $1.85 million.

and entered into a conditional contract for the acquisition of 41 units plus a managers unit in Rockhampton, Queensland for $3.25 million.

As a result of these acquisitions (settled and contracted), we now have village 'clusters' in a number of regions where there is strong demand for affordable seniors rental accommodation. Combined with the acquisition of Mt. Gambier Village in Adelaide and Eureka Cascade Gardens in Rockhampton, which will be completed in the 2016 financial year, Eureka has scale in the following regions:

- North Queensland 253 units
- Central Queensland 210 units
- South East QLD/Northern NSW 439 units

- South Australia 365 units
- VIC/NSW Border Region 218 units

This physical aggregation provides incremental benefits through economies of scale and scope, particularly in the areas of marketing, purchasing, pricing and resident acquisition and will be an important focus going forward to maximise returns.

We will further accelerate our acquisition strategy over the coming year. We have a strong pipeline of opportunities, with preliminary due diligence already completed on approximately 150 assets. We have quickly gained a solid reputation as an efficient 'buyer' within the market and are often the first contact point for villages that are looking to be sold. Eureka has sufficient cash and bank funding to meet our medium-term acquisition requirements and is in a position to move quickly on new opportunities as they present themselves.

The Group also continued to invest in strongly performing management rights which we believe provide the potential for ultimate asset ownership in the future.

Management rights purchased were:

- Tivoli Gardens, Ipswich (including managers unit) for $440,000 – 16 years (remaining term of management agreement)
- Village Life Rockhampton 2 for $50,000 – 10 years

Management rights extended were:

- Village Life Capalaba – 10 years
- Eureka Care Communities Condon – 10 years
- Eureka Care Communities Wulguru – 10 years
- Village Life Caboolture – 5 years

These extensions were part of an underlying review across the entire portfolio of villages to ensure adequate returns were being achieved. Each renewal was on terms superior to those in place prior.

As part of our strategy to divest underperforming management rights, the Group sold the management rights and managers unit at Slacks Creek for $910,000, which was in excess of the book value.

## Creating value through innovation in operation

Eureka's 'buy and build' growth strategy underpins the success of our acquisitions by adding value to the assets we purchase through enhanced service offerings and improved operational management. It is founded on a dedicated focus on the resident experience and has enabled the Group to achieve high occupancy rates across all villages, in most instances above 90%, and has seen 93% of residents purchase services (primarily food) through Eureka.

An important element of the 'buy and build' approach is recognising that village managers are the essence of the resident experience as they provide important care and moral support, in addition to ensuring villages are well-presented and foster a supportive community atmosphere. We introduced a new incentive-based remuneration structure for village managers during the year to provide greater clarity in their role and higher rewards for success. As a result, customer satisfaction, rental enquires and occupancy levels have increased.

Stringent management of costs, in line with the strict cost management lifestyle of Eureka's residents, is a critical factor in profitability and remains an ongoing focus. A key benefit of the owner/operator strategy is the ability to streamline and centralise backend administrative requirements, marketing and resident acquisition costs across the Group.

# Chairman's Review (continued)

## Sector fundamentals support long term growth

With a well-documented ageing population, the demand for housing and accommodation for Australian seniors is increasing at a rapid pace. With approximately 65% of Australians over the age of 65 relying on the pension or other government allowances as their only source of income, Eureka believes the market for affordable rental accommodation is the largest and fastest growing retirement sector in Australia.

There are approximately 1,750 facilities catering for aged accommodation across Australia with approximately 150,000 residents. Research indicates that a further 15,000 retirement dwellings are required over the coming decades. Currently approximately only 60 of the existing seniors rental villages are managed by corporatised entities, presenting favourable opportunities for industry consolidation. Eureka is leading the corporatisation of the sector with an ambitious acquisition strategy and a quality, affordable accommodation offering that is desperately required by this expanding segment of the market.

Eureka has a sustainable business model that is largely immune to economic cycles, delivers positive year-on-year rental growth, has low working capital requirements, is more stable than other real estate asset classes, and is difficult to disrupt through digital technologies or alternate offerings. The sector fundamentals will support our long term growth and we are committed to being the industry leader in providing affordable rental accommodation for Australian seniors.

## Outlook

Eureka's growth trajectory is set to continue and accelerate. We have the right strategy, an experienced, dedicated team and a healthy balance sheet to pursue an aggressive growth strategy, which is backed up by a strong pipeline of active village targets.

Based on current projections, Eureka is on track to achieve its vision of becoming the largest owner/operator of regional seniors rental villages in Australia within the next 12 months.

Our village ownership strategy will make a significant ongoing contribution to Group revenue and EBITDA and deliver continued strong free cash flow generation and cash conversion, underpinned by the 'buy and build' growth strategy. As such, we expect a material increase in profit and revenue for the 2015/16 financial year.

A key focus over the coming 12 months will be to broaden and further strengthen the Board and management team in line with the company's growth expectations and strategic direction.

I would like to take this opportunity to thank the Board, management and all of Eureka's employees for their dedication and hard work during what has been an exciting year of growth and transformation. I would also like to thank our shareholders for their strong support and continued belief in our company and our strategy. We are confident Eureka will continue to grow and deliver long term value.

Finally, on a personal note, I feel proud to be Chairman of a company that I deeply believe is creating shared value for society – through economic value for our shareholders and through social value for the community by providing essential, quality, affordable accommodation for Australian seniors. It is a privilege to lead Eureka Group and I look forward to continuing to deliver on our strategy and creating shared value for all of our stakeholders over the coming year.

**Robin Levison**
Chairman

# Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the "Company", "EGH" or "Eureka") and its controlled entities (the "Group", or the "Consolidated Entity") for the year ended 30 June 2015.

## PRINCIPAL ACTIVITIES

The principal activities of EGH include:

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

## REVIEW OF OPERATIONS AND RESULTS

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

| **Performance Measure** | | **Consolidated** | |
|---|---|---|---|
| | | **30 June 2015 $'000** | **30 June 2014 $'000** |
| Net profit | | 3,105 | 661 |
| Add back: | Interest | 858 | 569 |
| | Tax | - | - |
| | Depreciation | 34 | 102 |
| | Amortisation | 132 | 180 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | 4,129 | 1,512 |

The increase in EBITDA of $2.6m was represented by:

- profit contribution from the villages acquired during the year;
- net fair value gain of $0.9m on investment properties; and
- continued strong occupancy.

Financing costs increased during the 30 June 2015 year as a result of increased borrowings to fund the village acquisitions.

| **Financial Position** | **Consolidated** | |
|---|---|---|
| | **30 June 2015 $'000** | **30 June 2014 $'000** |
| Total Assets | 51,834 | 15,705 |
| Net assets | 31,855 | 6,537 |
| Working capital (current assets less current liabilities) | 4,657 | 930 |

The Group continues to strengthen its financial position. During the year, the Group acquired investment properties for total consideration including transactions costs of $32.1m. These acquisitions were partly funded through bank debt, which resulted in bank debt increasing from $6.9m to $19.5m. There were no amounts owing to shareholders at year end, which has decreased from a balance of $0.55m in the prior year.

The Group operates in a high growth industry providing essential services to Australia's senior population. During the period overall occupancy levels across the villages increased (excluding the 3 villages recently acquired at Albury, Mildura and Shepparton), from already high levels, as well as services income at villages that the group continues to manage.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 30 June 2015 financial year the Group acquired 9 seniors rental villages, 5 manager's units, a communal village hall and 2 management rights. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights. The villages acquired include:

- Cascade Gardens Cairns for $3.1m in July 2014 – 53 units
- Avenell Village on Vasey Bundaberg and Elizabeth Vale Scenic Village 1 for $7.7m in October 2014– 116 units
- Myall Retirement Village in Whyalla South Australia for $3.3m in January 2015 – 58 units
- Elizabeth Vale Scenic Village 2 for $4.4m in April 2015 – 45 units
- Lismore Rental Village for $4.0m in May 2015 – 80 units
- Albury Village for $2.6m in June 2015 – 52 units
- Mildura Village for $2.3m in June 2015 – 51 units
- Shepparton for $1.8m in June 2015 – 69 units

# Directors' Report

During the 30 June 2015 financial year, after a review of all the Group assets, the Group divested its management rights in Armidale, Slacks Creek, Salisbury, Toowoomba, Inala, Goolwa, Wodonga, Albury/Thurgoona and Wynnum.

The following management rights agreements have been extended:

- Village Life Capalaba – 10 years
- Eureka Care Communities Wulguru – 10 years
- Eureka Care Communities Condon – 10 years
- Village Life Caboolture – 5 years

**DIVIDENDS**

No dividends have been paid during the year (2014: $nil). No dividends for the financial year ended 2015 have been recommended at the date of this report.

**SHARE CAPITAL, REDEEMABLE CONVERTIBLE NOTES AND SHARE OPTIONS**

The number of ordinary shares on issue at 30 June 2015 was 188,099,927 (2014: 98,349,930).

During the year, 650,000 secured convertible notes were converted to shares at $0.06 per share. 225,000 unsecured convertible notes were converted to shares at $0.10 per share (refer to notes 19 and 20).

There were no options issued during the year. The balance of options outstanding at 30 June 2015 is nil (2014: nil).

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

In the past 12 months Eureka has modified its strategic direction to owning the units in the villages it manages as well as becoming owner/manager of new villages. Hence, a key driver of future earnings growth will be increasing the number of performing units and villages owned by the Group. Eureka is confident of successfully executing on this strategy and therefore also increasing full year FY2016 underlying revenue, EBITDA and NPAT.

During FY2015 the Group continued its concentration on devising and implementing a more aggressive long-term growth strategy designed to capitalise on the strong underlying fundamentals of the Australian seniors' accommodation sector.

The key platforms of this longer-term growth blueprint are to:

- identify and divest lower/underperforming management rights agreements; and
- utilise these proceeds combined with a balanced mix of equity and debt, to invest in higher returning "bricks and mortar" seniors rental village assets and higher yielding management rights agreements.

Consistent with this strategy, Eureka has:

- Divested its management rights in Armidale, Slacks Creek, Salisbury, Toowoomba, Inala, Goolwa, Wodonga, Albury/Thurgoona and Wynnum.
- Completed the due diligence and gone unconditional (subject to licence transfer) on 31 July 2015 for the acquisition of a 45-person village at Mt Gambier, South Australia for $2.25 million.
- Entered into a conditional contract subsequent to year-end to acquire 41 units plus a managers unit in the village known as Eureka Cascade Gardens Rockhampton.

Overall as at 30 June 2015, the Company managed 1,492 units of which 627 units are owned.

Eureka is continuing to rapidly increase its scale with a much improved balance sheet and revenue mix, which will continue to generate greater economies of scale and efficiencies across all spheres of its operations. The weighted average length of each management rights contract held by Eureka is 11.9 years (2014: 9.3 years), with a number of renewals awarded post balance date. This does not include the management rights for villages Eureka owns which are inherently perpetual.

Given current and forecast demographic dynamics, the Group considers its services will remain in demand over a long period of time. The Group will continue to seek to improve its balance sheet through consistent earnings and continue to improve the key drivers of occupancy, services take up, and contract length. With a stable management team focused on a clear plan to increase occupancy and service uptake, the Group believes it can continue to grow its earnings substantially in FY2016.

# Directors' Report

## SUBSEQUENT EVENTS

The Group has completed the due diligence and gone unconditional (subject to licence transfer being approved by the government) on 31 July 2015 for the acquisition of a 45-person village at Mt Gambier in South Australia for $2.25 million. Settlement of this contract will occur once the licence transfer has been completed.

The Group has announced that it has entered into a conditional contract (subject to a minor condition precedent) for the acquisition of 41 units plus a managers unit in Rockhampton, Queensland for $3.25 million.

The Group is currently in due diligence for its $13^{th}$, $14^{th}$ and $15^{th}$ village acquisitions.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## ENVIRONMENTAL REGULATION

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

## INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During or since the end of the financial year the Group has not given any indemnity or entered into any agreement to indemnify any person who is or has been an officer or an auditor of the Company.

During the financial year the Group has paid a premium of $16,042 for Directors' and Officers' liability for current and former Directors and Officers.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## DIRECTORS AND MEETINGS ATTENDED

The names of all Directors who held office since the beginning of the year together with the numbers of meetings the Company's Directors held during the year, and the numbers of meetings attended by each Director are:

| | Director's Meetings | | Audit & Risk Committee Meetings | | Nomination & Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| **Name** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Robin Levison | 9 | 9 | 3 | 3 | 2 | 2 |
| Lachlan McIntosh | 8 [1] | 8 | 3 | 3 | 2 | 2 |
| Greg Rekers | 9 | 9 | - | - | - | - |
| Kerry Potter | 9 | 9 | - | - | - | - |
| Nirmal Hansra | 9 | 9 | 3 | 3 | 2 | 2 |

1 Mr McIntosh was available to attend all meetings but not eligible to attend 1 meeting due to a conflict of interest matter being discussed.

## INFORMATION ON DIRECTORS

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

**Robin Levison – Non-Executive Chairman**

Robin Levison holds a Masters of Business Administration from the University of Queensland and is a Member of the Institute of Chartered Accountants in Australia. Robin has 15 years of Public Company Management experience. During this

# Directors' Report

time he served as managing Director at Industrea Limited and Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin is also a Deputy Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, and is a Graduate and Fellow of Australian Institute of Company Directors.

Other listed company directorships in the last 3 years: PPK Group Limited, Industrea Limited (from May 2005 to December 2012).

Special responsibilities: Chair of the Board, Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee.

**Lachlan McIntosh – Non-Executive Director**

Lachlan McIntosh has a Bachelor of Commerce degree and is a Member of the Institute of Chartered Accountants in Australia. He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.

Other listed company directorships in the last 3 years: Industrea Ltd (from May 2004 to December 2012), New Guinea Gold Corporation (April 2013 to April 2014) and Nomad Building Solutions Limited (from 11 October 2014).

Special responsibilities: Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee.

**Greg Rekers – Executive Director and Head of Real Estate**

Greg leads the Company's real estate activities. Greg is also a director of Navigator Property Group (NPG), a consultancy group specialising in the areas of property development and project marketing.

Greg worked for PRD Gold Coast, a national and international property marketing company where he was a leading project salesman. Upon departing PRD, Greg continued to be highly successful in providing project marketing services to numerous property developers, which then led to the creation of NPG.

Other listed company directorships in the last 3 years: nil

Special responsibilities: nil

**Kerry Potter – Executive Director and Chief Operating Officer**

Kerry is the Company's Chief Operating Officer. Kerry is also a director of Navigator Property Group, a consultancy specialising in the areas of property development and project marketing.

Kerry holds a Bachelor of Commerce degree and worked with the Commonwealth public service until 1987 where he had been a director of the Government's real estate arm. Kerry then became the Director of Project Marketing for PRD Gold Coast, a successful national and international organisation. After leaving PRD, Kerry became CEO of Raine and Horne Queensland and Chesterton International. Kerry then became the principal and hands-on director of numerous development residential and commercial projects for various consortia in the period 2000 to 2007.

Other listed company directorships in the last 3 years: nil

Special responsibilities: nil

**Nirmal Hansra – Non-Executive Director**

Nirmal holds a Master of Commerce (Business Management) degree from University of NSW and is a Fellow of the Australian Institute of Company Directors, Institute of Chartered Accountants in Australia and Australian Society of Certified Practicing Accountants.

He has over 40 years of business management and corporate advisory experience. During this time Nirmal had roles as CFO / Finance Director of listed companies such as Industrea Limited, ISoft Group Limited, Australian Pharmaceutical Industries Limited and Ruralco Holdings Limited.

Nirmal is a non-executive director and chairman of the finance, audit and risk committee of Campbell Page Ltd, Council of the Ageing (COTA) in New South Wales and NF Australia Limited. He is also non-executive director of Kuringai Financial Services Limited, Have A Voice Pty Ltd and advisory board member of BTO Group Limited.

Other listed company directorships in the last 3 years: nil

Special responsibilities: Chair of Audit & Risk Committee, Chair of Nomination & Remuneration Committee

# Directors' Report

**COMPANY SECRETARY**

**Oliver Schweizer – Company Secretary**

Oliver was appointed interim Company Secretary in June 2014. Oliver has a Bachelor of Economics degree and is a Chartered Financial Analyst. Oliver has over 15 years' experience in commercial accounting, finance, investments and listed entities.

**KEY MANAGEMENT PERSONNEL**

The details of each key management personnel's qualifications, experience and special responsibilities for those in office during the year (excluding Head of Real Estate and Chief Operating Officer noted above) are:

**Ryan Maddock – Chief Financial Officer**

Ryan Maddock is a Chartered Accountant and has a Bachelor of Business with a Major in Accounting from Griffith University. He has over 11 years of accounting experience working in both Australia and North America and most recently held the role of Senior Financial Accountant at a Perth-based TSX-listed company. Prior to that he held the roles of Audit Manager at KPMG and Accountant at PKF.

**Sharon Alderwick – General Manager (ceased as key management person on 31 December 2014)**

Sharon Alderwick has been involved with Residential Property Management and working with large rent rolls for the past 15 years. For eight of those years she had held positions in Business Development and Management, overseeing staff and running of the rent roll. Her prior experience is in accountancy. Sharon brings to the Company a vast knowledge of Property Management and along with her attention to detail is a valuable asset.

**INTEREST IN SHARES AND OPTIONS HELD AT THE DATE OF THIS REPORT**

| | Ordinary shares | Options over ordinary shares |
|---|---|---|
| **Directors** | | |
| Robin Levison | 12,349,608 | - |
| Lachlan McIntosh | 12,646,166 | - |
| Nirmal Hansra | 583,334 | - |
| Greg Rekers | 2,870,608 | - |
| Kerry Potter | 2,866,442 | - |
| Directors Total | 31,316,158 | - |
| **Executives** | | |
| Ryan Maddock | 88,450 | - |
| Executives Total | 88,450 | - |

**OPTIONS**

There were no options outstanding during the financial year and up to the date of the Directors' report.

**REMUNERATION REPORT (AUDITED)**

This report outlines the remuneration arrangements in place for Eureka Group Holdings Limited's non-executive directors', executive directors and other key management personnel ("KMP") of Eureka Group Holdings Limited for the year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

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

# Directors' Report

i) Other transactions with Key Management Personnel

**(a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL**

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

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

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

Emoluments comprise the following:

- base pay (salaries/fees) and benefits, including superannuation;
- short-term incentives (bonuses); and
- long-term incentives such as options and shares (although long-term incentives are not immediately contemplated).

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

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared in relationship between the benefits contained in the employment agreements and the Company's performance in the 2015 financial year.

Remuneration for certain individuals is directly linked to performance of the Group. Bonus payments are dependent on key criteria, being EBITDA. Refer to the table in section (e) Relationship Between Remuneration and Company Performance for further details.

The Nomination & Remuneration Committee is of the opinion that continued improved results can be achieved in part by the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

**(b) DETAILS OF REMUNERATION**

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

| Name | Role | Period in role |
|---|---|---|
| Robin Levison | Non-Executive Director | 24/12/2013 – ongoing |
| Lachlan McIntosh | Non-Executive Director | 20/07/2009 – ongoing |
| Nirmal Hansra | Non-Executive Director | 24/04/2012 – ongoing |
| Greg Rekers | Executive Director/Head of Real Estate | 24/04/2012 – ongoing |
| Kerry Potter | Executive Director/Chief Operating Officer | 24/04/2012 – ongoing |
| Ryan Maddock | Chief Financial Officer | 16/06/2014 – ongoing |
| Sharon Alderwick | General Manager | 17/05/2011 – 31/12/14 |

# Directors' Report

Key management personnel remuneration for the year ended 30 June 2015 and 30 June 2014:

| | Short term | | Post employment | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary/ fees $ | Bonus $ | Super-annuation $ | Share based payments $ | Other long term benefits $ | Termination payments $ | Total $ | Performance related % | % of bonus that was paid | % of bonus that was forfeited |
| ***30 June 2015*** | | | | | | | | | | |
| **Directors** | | | | | | | | | | |
| Robin Levison | 60,000 | - | - | - | - | - | 60,000 | - | - | - |
| Lachlan McIntosh | 36,000 | - | - | - | - | - | 36,000 | - | - | - |
| Nirmal Hansra | 32,002 | - | - | - | - | - | 32,002 | - | - | - |
| Greg Rekers | 284,500 | - | - | - | - | - | 284,500 | - | - | 100% |
| Kerry Potter | 284,500 | - | - | - | - | - | 284,500 | - | - | 100% |
| Directors Total | 697,002 | - | - | - | - | - | 697,002 | | | |
| **Executives** | | | | | | | | | | |
| Ryan Maddock | 144,399 | - | 14,133 | - | - | - | 158,532 | - | - | - |
| Sharon Alderwick[6] | 61,039 | - | 5,700 | - | - | - | 66,739 | - | - | 100% |
| Executives Total | 205,438 | - | 19,833 | - | - | - | 225,271 | | | |
| ***30 June 2014*** | | | | | | | | | | |
| **Directors** | | | | | | | | | | |
| Robin Levison[1] | 30,000 | - | - | - | - | - | 30,000 | - | - | - |
| Lachlan McIntosh[2] | 39,000 | - | - | - | - | - | 39,000 | - | - | - |
| Paul Fulloon[3] | 15,001 | - | - | - | - | - | 15,001 | - | - | - |
| Nirmal Hansra | 32,000 | - | - | - | - | - | 32,000 | - | - | - |
| Greg Rekers | 228,948 | - | - | - | - | - | 228,948 | - | - | 100% |
| Kerry Potter | 228,948 | - | - | - | - | - | 228,948 | - | - | 100% |
| Directors Total | 573,897 | - | - | - | - | - | 573,897 | | | |
| **Executives** | | | | | | | | | | |
| Ryan Maddock[4] | 5,422 | - | 462 | - | - | - | 5,884 | - | - | - |
| Sharon Alderwick | 124,997 | 15,000 | 12,488 | - | - | - | 152,485 | 10% | 50% | - |
| Troy Nunan[5] | 116,150 | 32,683 | 13,376 | - | - | - | 162,209 | 20% | 100% | - |
| Executives Total | 246,569 | 47,683 | 26,326 | - | - | - | 320,578 | | | |

[1] Robin Levison was appointed as Chair of the Board on 24 December 2013
[2] Lachlan McIntosh resigned as Chair of the Board on 24 December 2013
[3] Paul Fulloon resigned on 1 May 2014
[4] Ryan Maddock commenced employment on 16 June 2014
[5] Troy Nunan resigned on 3 June 2014
[6] Sharon Alderwick ceased as key management personnel on 31 December 2014

### (c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 in aggregate plus statutory superannuation.

# Directors' Report

The following fees have applied:

| Base fees | $ |
|---|---|
| Robin Levison – Chairman & Non-Executive Director | 60,000 |
| Lachlan McIntosh – Non-Executive Director | 36,000 |
| Nirmal Hansra – Non-Executive Director | 32,002 |

No superannuation has been paid to non-executive directors.

### (d) SERVICE AGREEMENTS

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

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

***Greg Rekers*** *(Executive Director & Head of Real Estate)*
Agreement Commenced 24 April 2012
*Term of the Agreement:*
The Agreement may be terminated by the Company after the first anniversary of the contract, provided that the Company pays Mr Rekers a lump sum equal to the value of the salary package for one year. The agreement may be terminated by Mr Rekers with 3 months' notice. The agreement may also be terminated by the Company in the event of grave misconduct.

*Details:*
Mr Rekers remuneration comprises a consulting fee of $200,000 plus 40% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. Mr Rekers' remuneration also comprises additional short-term incentives equal to 50% of his base fee, for reaching agreed upon budgets, adhering to all relevant legislative requirements and reporting financials in a timely manner. Mr Rekers is responsible for the departments of real estate, property development and project marketing for the Company. The directors believe that the remuneration is appropriate for the duties allocated to Mr Rekers. Upon termination subject to adherence of contractual clauses, Mr Rekers is entitled to a lump sum equal to the value of the salary package for 1 year. Mr Rekers will receive no entitlements if terminated for grave misconduct.

***Kerry Potter*** (Executive Director & Chief Operations Officer)
Agreement Commenced 24 April 2012
*Term of the Agreement:*
The Agreement may be terminated by the Company after the first anniversary of the contract, provided that the Company pays Mr Potter a lump sum equal to the value of the salary package for one year. The agreement may be terminated by Mr Potter with 3 months' notice. The agreement may also be terminated by the Company in the event of grave misconduct.

*Details:*
Mr Potters' remuneration comprises a consulting fee of $200,000 plus 40% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. Mr Potters' Remuneration also comprises additional short-term incentives equal to 50% of his base fee, for reaching agreed upon budgets, adhering to all relevant legislative requirements and reporting financials in a timely manner. Mr Potter is responsible for the day to day management and operations of the Company. The directors believe that the remuneration is appropriate for the duties allocated to Mr Potter. Upon termination subject to adherence of contractual clauses, Mr Potter is entitled to a lump sum equal to the value of the salary package for 1 year. Mr Potter will receive no entitlements if terminated for grave misconduct.

***Ryan Maddock*** (Chief Financial Officer)
Agreement Commenced 16 June 2014
*Term of the Agreement:*
The agreement may be terminated by either the Company or Mr Maddock with six weeks' notice or by the Company in the event of a material breach of misconduct by Mr Maddock.

*Details:*
Mr Maddock's remuneration comprises a salary of $140,000 plus superannuation contributions. Mr Maddock's remuneration is not linked to the company's performance and he is entitled to a bonus at the Directors' discretion. Mr Maddock is responsible for the finance division and the accounting and finance functions of the Company and its associated companies. The directors believe that the remuneration was appropriate for the duties allocated to Mr Maddock. In the event the Group is purchased by or merged with another company and, if as a result of that purchase or merger Mr Maddock is terminated, the Group must pay Mr Maddock the monthly remuneration for a period of three months. There are no other pay-outs upon resignation or termination, outside of industrial regulations.

***Sharon Alderwick*** (General Manager)
Agreement Commenced 1 September 2011

# Directors' Report

*Term of the Agreement:*
The agreement may be terminated by either the Company or Mrs Alderwick with one months' notice or by the Company in the event of a material breach of misconduct by Mrs Alderwick.

*Details:*
Mrs Alderwick's remuneration comprises a salary of $120,000 plus superannuation contributions and performance incentive payment of up to $30,000 payable at the discretion of the Board. Mrs Alderwick is responsible for the day to day operations of the Company and its associated companies. The directors believe that the remuneration is appropriate for the duties allocated to Mrs Alderwick. There are no pay-outs upon resignation or termination, outside of industrial regulations.

### (e) RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The following table shows the revenue, net profit before tax, earnings per share, share price and dividend per share for the past 5 years of the Company. The factors that are considered to affect remuneration are summarised below:

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total Revenue $'000 | 12,213 | 10,662 | 10,874 | 15,593 | 14,100 |
| Net Profit before tax $'000 | 3,105 | 661 | 75 | 686 | (1,243) |
| EBITDA $'000 | 4,129 | 1,512 | 865 | 1,632 | (48) |
| Earnings per share | 2.24 | 0.80 | 0.10 | 1.37 | (3.51) |
| Share price at year end | 0.51 | 0.12 | 0.065 | 0.10 | 0.09 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### (f) REMUNERATION CONSULTANTS

The Group did not engage any remuneration consultants during the 2015 financial year.

### (g) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

***Shares held***

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

| | Balance 1 July 2014 | Received as remuneration | Shares acquired | Options exercised | Conversion of notes | Balance 30 June 2015 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Robin Levison | 5,637,942 | - | 45,000 | - | 6,666,666 | 12,349,608 |
| Lachlan McIntosh | 11,249,364 | - | 563,469 | - | 833,333 | 12,646,166 |
| Nirmal Hansra | 550,000 | - | 33,334 | - | - | 583,334 |
| Greg Rekers | 2,803,940 | - | 80,326 | - | - | 2,884,266 |
| Kerry Potter | 2,799,774 | - | 66,668 | - | - | 2,866,442 |
| **Executives** | | | | | | |
| Sharon Alderwick | 347,657 | - | - | - | - | 347,657 |
| Ryan Maddock | - | - | 88,450 | - | - | 88,450 |
| Total | 23,388,677 | - | 877,247 | - | 7,499,999 | 31,765,923 |

***Options held***

There were no options over ordinary securities held during the financial year by any of the directors of the Group or other key management personnel of the Group, including their personally related parties.

# Directors' Report

### (h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

As at 30 June 2015, total loans outstanding to Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, from Eureka Group Holdings Limited, was nil (2014: $100,099).

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $** | **30 June 2014 $** |
| Balance at beginning of year | 100,099 | 18,616 |
| Increase in loan amount | 490,000 | 100,000 |
| Loan repayments made | (596,082) | (18,616) |
| Interest charged | 5,983 | 99 |
| Conversion of debt to convertible notes/shares | - | - |
| Amount included in current financial liabilities – Shareholder Loans | - | 100,099 |

The following convertible notes were converted into shares during the year:

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $** | **30 June 2014 $** |
| ***Convertible Note: Kathlac Pty Ltd*** *(entity associated with Lachlan McIntosh)* | | |
| Balance at beginning of the year | 51,247 | - |
| Proceeds received on issue of convertible notes | - | 50,000 |
| Interest charged | 1,082 | 1,863 |
| Interest paid | (2,329) | (616) |
| Conversion of convertible notes to shares | (50,000) | - |
| Balance at end of the year – current liability | - | 51,247 |
| ***Convertible Note: Ignition Capital Pty Ltd and Ignition Capital No. 2 Pty Ltd*** *(entities associated with Robin Levison)* | | |
| Balance at beginning of the year | 409,973 | - |
| Proceeds received on issue of convertible notes | - | 400,000 |
| Interest charged | 13,479 | 21,589 |
| Interest paid | (23,452) | (11,616) |
| Conversion of convertible notes to shares | (400,000) | - |
| Balance at beginning of the year – current liability | - | 409,973 |

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

### (i) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

***Dotted Line Pty Ltd***
The Company trades from a premises owned by Dotted Line Pty Ltd, a company associated with Greg Rekers. The premises is rented on commercial terms. Rent totalling $39,600 was paid during the year (2014: $39,600). As at 30 June 2015 the amount outstanding to Rekers Family Trust was $nil (2014: $nil).

***Griffith Scenic Village Pty Ltd***
Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $7,566 on commercial terms (2014: $16,473). As at 30 June 2015 the amount outstanding from Griffith Scenic Village Pty Ltd Pty Ltd was $25,480 (2014: $29,400).

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $22,178 for Manager's unit rental fees on commercial terms (2014: $22,178). As at 30 June 2015 the amount outstanding to Griffith Scenic Village Pty Ltd was $5,545 (2014: $nil).

***Gladstone Scenic Village Pty Ltd***
Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $14,401 on commercial terms (2014: $11,540). As at 30 June 2015 the amount outstanding from Gladstone Scenic Village Pty Ltd was $nil (2014: $nil).

# Directors' Report

Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $17,050 for Manager's unit rental fees on commercial terms (2014: $28,163). As at 30 June 2015 the amount outstanding to Gladstone Scenic Village Pty Ltd was $nil (2014: $nil).

***Elizabeth Vale Scenic Village Pty Ltd***
Elizabeth Vale Scenic Village Pty Ltd, an entity historically associated with Lachlan McIntosh, paid the Group management fees of $34,705 on commercial terms (2014: $38,044). As at 30 June 2015 the amount outstanding from Elizabeth Vale Scenic Village Pty Ltd was $nil (2014: $nil).

Elizabeth Vale Scenic Village Pty Ltd, an entity historically associated with Lachlan McIntosh, was paid $22,249 for Manager's unit rental fees on commercial terms (2014: $29,638). As at 30 June 2015 the amount outstanding to Elizabeth Vale Scenic Village Pty Ltd was $nil (2014: $nil). As at 30 June 2015, Elizabeth Vale Scenic Village Pty Ltd is no longer associated with Lachlan McIntosh.

***Kathlac Pty Ltd***
During the year, Kathlac Pty Ltd ("Kathlac"), an entity associated with Lachlan McIntosh, received no underwriting fees (2014: $9,841).

During the year, Kathlac converted 50,000 secured convertible notes into shares at $0.06 and interest is payable at the rate of 10% per annum (2014: $nil).

During the year, EGH agreed to acquire 100 percent of the share capital in EVSV Pty Ltd (the "Transaction"). The shares in EVSV Pty Ltd are held by 22 Capital Pty Ltd ("22 Capital") ATF the Elizabeth Vale Trust and Eville Pty Ltd ("Eville") ATF the Eville Unit Trust. Kathlac is a minority unit holder in the Elizabeth Vale Trust. Kathlac received $344,058 which consisted of $211,524 cash and the value of $132,534 in shares (530,135 shares) being equivalent to Kathlac's proportionate entitlement to the consideration payable to 22 Capital for the Transaction as a result of Kathlac's minority unit holding in the Elizabeth Vale Trust.

At 30 June 2015 the amount outstanding to Kathlac Pty Ltd was $nil (2014: $nil).

***Ignition Equity Partners Pty Ltd***
During the year, Ignition Equity Partners Pty Ltd, an entity associated with Robin Levison, received investor relations and capital raising fees of $158,812 on commercial terms (2014: $9,841). At 30 June 2015 the amount outstanding to Ignition Equity Partners Pty Ltd was $nil (2014: $nil).

***Ignition Capital Pty Ltd***
During the year, Ignition Capital Pty Ltd, an entity associated with Robin Levison, converted 300,000 secured convertible notes into shares at $0.06 and interest is payable at the rate of 10% per annum (2014: $nil). At 30 June 2015 the amount outstanding from Ignition Capital Pty Ltd was nil (2014: $300,000).

***Ignition Capital No. 2 Pty Ltd***
During the year, Ignition Equity Capital Pty Ltd, an entity associated with Robin Levison, converted 100,000 secured convertible notes into shares at $0.06 and interest is payable at the rate of 10% per annum (2014: $100,000). At 30 June 2015 the amount outstanding from Ignition Capital Pty Ltd was nil (2014: $nil).

***This concludes the remuneration report, which has been audited.***

**NON-AUDIT SERVICES**

Details of the amounts paid or payable to the auditor for non-audit services during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

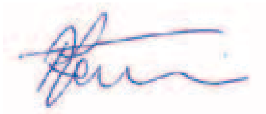
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

# Directors' Report

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit Pty Ltd, to provide the directors of Eureka Group Holdings Limited with an Independence Declaration in relation to the audit of the consolidated financial report. This Independence Declaration is set out on page 59 and forms part of the Directors' Report for the year ended 30 June 2015.

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



**Robin Levison**
Chairman

Dated in Brisbane this 25th day of August, 2015.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

| | Note | Consolidated 30 June 2015 $'000 | Consolidated 30 June 2014 $'000 |
|---|---|---|---|
| Revenue | 3 | 10,851 | 10,138 |
| Other income | 3 | 1,361 | 524 |
| Total revenue and income | | 12,212 | 10,662 |
| **Expenses** | | | |
| Food, beverage and consumables | | (5,946) | (6,638) |
| Impairment – management rights | 16 | - | (38) |
| Impairment – trade receivables | | (47) | - |
| Employee benefits expenses | | (716) | (767) |
| Finance costs | 4 | (858) | (569) |
| Community operating expenses | | - | (71) |
| Marketing expenses | | (120) | (8) |
| Consultancy expenses | | (223) | (413) |
| Depreciation & amortisation expenses | 4 | (166) | (282) |
| Lease expenses | 4 | (292) | (513) |
| Other expenses | | (739) | (702) |
| **Total expenses** | | 9,107 | 10,001 |
| **Profit before income tax expense** | | 3,105 | 661 |
| Income tax expense | 5 | - | - |
| **Profit after income tax expense** | | 3,105 | 661 |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit or loss | | - | - |
| Items that will not be reclassified to profit or loss | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive income for the year** | | 3,105 | 661 |
| Basic earnings per share (cents per share) | 25 | 2.24 | 0.80 |
| Diluted earnings per share (cents per share) | 25 | 2.24 | 0.80 |

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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2015

| | Note | Consolidated 30 June 2015 $'000 | Consolidated Re-stated 30 June 2014 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 21 | 5,154 | 1,285 |
| Trade and other receivables | 6 | 306 | 368 |
| Inventories | 7 | 20 | 10 |
| Assets classified as held for sale | 8 | - | 1,047 |
| Other assets | 9 | 159 | 229 |
| Loans receivable | 12 | 84 | - |
| Total current assets | | 5,723 | 2,939 |
| **Non-Current Assets** | | | |
| Available for sale financial assets | 10 | - | 235 |
| Loans receivable | 12 | 541 | 295 |
| Investment property | 14 | 39,689 | 6,658 |
| Property, plant and equipment | 15 | 878 | 770 |
| Intangible assets | 16 | 5,003 | 4,808 |
| Total non-current assets | | 46,111 | 12,766 |
| **Total Assets** | | 51,834 | 15,705 |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 608 | 720 |
| Other financial liabilities | 19 | 394 | 1,251 |
| Provisions | 18 | 64 | 38 |
| Total current liabilities | | 1,066 | 2,009 |
| **Non-current liabilities** | | | |
| Other financial liabilities | 19 | 18,913 | 7,159 |
| Total non-current liabilities | | 18,913 | 7,159 |
| **Total Liabilities** | | 19,979 | 9,168 |
| **Net Assets** | | 31,855 | 6,537 |
| **Equity** | | | |
| Share capital | 20 | 68,248 | 46,035 |
| Accumulated losses | | (36,393) | (39,498) |
| **Total Equity** | | 31,855 | 6,537 |

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

# Consolidated Statement of Cash Flows

AS AT 30 JUNE 2015

| | Note | Consolidated 30 June 2015 $'000 | Consolidated 30 June 2014 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | 10,957 | 10,300 |
| Payments to suppliers & employees | | (8,216) | (9,189) |
| Interest received | | 61 | 31 |
| Interest paid | | (883) | (432) |
| Net Cash provided by/(used) in Operating Activities | 21(b) | 1,919 | 710 |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Payments for investment properties | | (22,517) | (6,651) |
| Payments for property, plant & equipment | | (159) | - |
| Proceeds from the sale of non-current assets held for sale | | 990 | 1,775 |
| Payments made to sell non-current assets held for sale | | - | (46) |
| Deposit received on non-current assets held for sale | | - | 271 |
| Acquisition of available for sale financial assets | | - | (235) |
| Payments for loans provided | | (769) | (295) |
| Repayments of loans provided | | 142 | - |
| Payments for intangible assets | | (437) | (7) |
| Net Cash provided by/(used) in Investing Activities | | (22,750) | (5,188) |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from borrowings | | 11,862 | 4,603 |
| Repayment of borrowings | | (5,109) | (701) |
| Payments of transaction costs related to borrowings | | (63) | |
| Proceeds from share issues | 20 | 18,700 | 1,454 |
| Payments for share issue costs | | (690) | (59) |
| Net Cash provided by/(used in) Financing Activities | | 24,700 | 5,297 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 3,869 | 819 |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 1,285 | 466 |
| **Cash and cash equivalents at the end of the financial year** | 21(a) | 5,154 | 1,285 |

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated | | |
|---|---|---|---|
| | **Share Capital $'000** | **Accumulated Losses $'000** | **Total $'000** |
| **For the year ended 30 June 2015** | | | |
| Balance at 1 July 2014 | 46,035 | (39,498) | 6,537 |
| Profit for the year | - | 3,105 | 3,105 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | - | 3,105 | 3,105 |
| *Transactions with owners in their capacity as owners:* | | | |
| Share issued during the year | 22,925 | - | 22,925 |
| Capital raising costs | (712) | - | (712) |
| **Balance at 30 June 2015** | 68,248 | (36,393) | 31,855 |
| **For the year ended 30 June 2014** | | | |
| Balance at 1 July 2013 | 44,176 | (40,159) | 4,017 |
| Profit for the year | | 661 | 661 |
| Other comprehensive income | | | - |
| **Total comprehensive income for the year** | - | 661 | 661 |
| *Transactions with owners in their capacity as owners:* | | | |
| Shares issued during the year | 1,918 | - | 1,918 |
| Capital raising costs | (59) | - | (59) |
| **Balance at 30 June 2014** | 46,035 | (39,498) | 6,537 |

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

Eureka Group Holdings Limited and controlled entities

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 1. INTRODUCTION

Eureka Group Holdings Limited (covering the financial statements of Eureka Group Holdings Limited and all of its subsidiaries) ("EGH" or the "Group" or the "Consolidated Entity") for the year ended 30 June 2015 is a company incorporated and domiciled in Australia. EGH is a for-profit entity for the purposes of preparing the financial statements.

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

The financial report is presented in Australian dollars. The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

The registered office of the company is Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227.

The financial report was authorised for issue on 25 August 2015 by the Directors.

## 2. SUMMARY OF ACCOUNTING POLICIES

### BASIS OF PREPARATION

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

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

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

*Early adoption of standards*
The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

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

**CONSOLIDATION**

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

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2015 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the *'business combinations'* accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

**BUSINESS COMBINATIONS**

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

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

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

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

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

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

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

**REVENUE RECOGNITION**

*Rent Revenue*
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Rent not received at balance date is reflected in the balance sheet as a receivable, or if paid in advance, as deferred revenue. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent. Rent revenue from investment properties is recognised on a straight-line basis over the lease term.

*Management, Property Maintenance, Catering and Service Fees*
The Group is entitled to receive a fee from unit owners for managing the units under management services agreements. The Group also receives a fee from the tenants of the units for the provision of property maintenance, catering and other services. Revenue is recognised when the services are provided.

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

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**INCOME TAX**

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

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

**TAX CONSOLIDATION**

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

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

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

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

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

*Nature of Tax Funding Arrangements and Tax Sharing Arrangements*
The head entity in conjunction with other members of the tax-consolidation group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity to the current tax liability/ (asset) assumed to be the

head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/ (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivables/ (payables) are at call.

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

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

**OPERATING SEGMENTS**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') - being the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**CASH AND CASH EQUIVALENTS**

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

**TRADE AND OTHER RECEIVABLES**

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

**INVESTMENT PROPERTY**

As discussed in the 30 June 2014 annual report the Group undertook in April 2014 acquisition activities in relation to acquiring one bricks and mortar seniors rental village investment. This investment gives the Group ownership and control over freehold land and buildings. During the period ended 30 June 2015 the Group purchased additional seniors rental village investments.

As part of these additional investments and a change in business to an owner/operator/manager model the Group reviewed its assessments of the classification of village assets. As part of this assessment the Group determined the more appropriate treatment for these assets was to classify them as investment property in accordance with AASB 140 "Investment Property" as opposed to property, plant and equipment under AASB 116 "Property, Plant and Equipment". The Directors believe that classifying these investments as investment property is a more appropriate accounting treatment and complies with the accounting standard.

As a result of this re-classification the comparative balance sheet at 30 June 2014 has been adjusted to move $6,657,139 in property, plant and equipment to investment property (Refer Note 15). The Directors have also assessed the carrying value of the reclassified investment property and determined that its carrying value at 30 June 2014 reflects the fair value of this property.

During the period ended 30 June 2015 and in future periods, investment property will be accounted for using the following accounting policy:

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

**PROPERTY PLANT & EQUIPMENT**

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

| Class | Rate | Method |
|---|---|---|
| Plant and equipment | 25-50% | SL/DV |
| Buildings | 2.5% | SL |

**INTANGIBLE ASSETS**

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

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

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

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

**IMPAIRMENT OF ASSETS**

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

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

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

**FAIR VALUE MEASUREMENT**

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

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

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

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

**FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

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

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

**TRADE AND OTHER PAYABLES**

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

**BORROWINGS**

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

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

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

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

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

**EMPLOYEE BENEFITS**

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

**PROVISIONS**

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

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

**FINANCE COSTS**

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

**SHARE BASED PAYMENTS**

The entity may allocate to its employees and Directors, shares and share options as part of their remuneration packages. AASB 2 “Share Based Payments” require that these payments and also payments made to other counterparties in return for goods and services be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. This amount is expensed in the statement of comprehensive income.

Where the grant date and the vesting date are different the total expenditure calculated is allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

**GOODS AND SERVICES TAX**

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

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

**LEASES**

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

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

**DIVIDENDS**

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

**CAPITAL MANAGEMENT**

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

**CONTRIBUTED EQUITY**

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

**EARNINGS PER SHARE**

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

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

**USE OF JUDGEMENTS AND ESTIMATES**

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

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

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

*Amortisation of Management Rights*

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

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

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

*Investment Property – Classification*

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

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

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

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

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

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

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

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

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

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

**PARENT ENTITY**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 31. The accounting policies of the parent entity are consistent with those of the Group, as disclosed above, except for the following:

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

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

**COMPARATIVES**

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

**NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall

be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

*AASB 15 Revenue from Contracts with Customers*
This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

## 3. REVENUE

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $'000** | **30 June 2014 $'000** |
| **Revenue** | | |
| Catering | 5,043 | 5,559 |
| Service fees | 1,497 | 2,116 |
| Management | 17 | 307 |
| Property maintenance | 1,366 | 1,515 |
| Rental income | 2,888 | 281 |
| Other revenue | 40 | 360 |
| | 10,851 | 10,138 |
| **Other Income** | | |
| Interest revenue | 61 | 31 |
| Forgiveness of debt | 50 | 200 |
| Net fair value gain on investment properties | 874 | - |
| Gain on sale of management rights | 299 | 293 |
| Other income | 77 | - |
| | 1,361 | 524 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 4. ITEMS INCLUDED IN PROFIT/(LOSS)

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Profit/(loss) before income tax expense includes the following specific items: | | |
| Rental expense relating to operating leases | | |
| - Minimum lease payments | 292 | 513 |
| Finance cost | | |
| - Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss | 858 | 569 |
| Total finance cost | 858 | 569 |
| Amortisation | | |
| - Management rights | 127 | 171 |
| - Plans & trademarks | - | - |
| - Sale rolls | 4 | 9 |
| - Website | 1 | - |
| Total amortisation | 132 | 180 |
| Depreciation | | |
| - Village property | - | 36 |
| - Plant & equipment | 25 | 45 |
| - Buildings | 8 | 21 |
| - Motor vehicles | 1 | - |
| Total depreciation | 34 | 102 |
| Defined contribution superannuation expense | 78 | 63 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 5. INCOME TAX

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $'000** | **30 June 2014 $'000** |
| The major components of income tax expense for the years ended 30 June 2015 and 2014 are: | | |
| *Consolidated Statement of Profit or Loss* | | |
| Current income tax | - | - |
| Deferred income tax | - | - |
| Income tax expense reported in the Statement of Profit or Loss | - | - |
| A reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate of 30% presents as follows: | | |
| Accounting profit before tax | 3,105 | 661 |
| Income tax calculated at 30% | 932 | 198 |
| Tax effect of permanent differences | 48 | (40) |
| Recognition of deferred tax assets not previously recognized | (980) | (158) |
| Income tax expense reported in the Statement of Profit or Loss | - | - |

## 6. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Trade debtors | 182 | 187 |
| Other debtors | 145 | 185 |
| Provision for impairment | (21) | (4) |
| | 306 | 368 |

## 7. INVENTORIES

| | | |
|---|---|---|
| Catering inventory – at cost | 20 | 10 |
| | 20 | 10 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Non-current assets held for sale: | | |
| - Property, plant & equipment - managers units | - | 541 |
| - Intangible assets - management rights | - | 506 |
| | - | 1,047 |

During the year, the following assets held for sale were sold:

- Slacks Creek – one manager's unit and management rights; and
- Village Life Toowoomba - management rights.

An additional manager unit at Slacks Creek has been transferred from Assets classified as held for sale to investment property as there is no intention in the near future to market this property for sale.

The Directors have considered the capital adequacy requirements of the Group, including cash flows pertaining to operations and capital transactions. The Directors will continue in an orderly manner to divest the non-core assets which includes real estate and low contribution management rights.

## 9. OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Deposits paid to acquire properties | 4 | 125 |
| Prepayments | 155 | 104 |
| | 159 | 229 |

## 10. AVAILABLE FOR SALE FINANCIAL ASSETS

| | | |
|---|---|---|
| Investments in unit trusts – at cost | - | 235 |
| | - | 235 |

## 11. DEFERRED TAX ASSETS AND LIABILITIES

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| **Recognised in the Statement of Financial Position** | | |
| *Deferred tax assets* | | |
| Tax losses | 437 | - |
| *Deferred tax liabilities* | | |
| Difference in depreciation for tax and accounting | (131) | - |
| Investment properties | (262) | - |
| Net (assessable) and deductible differences on sundry items | (44) | - |
| Net deferred tax assets | - | - |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

| | Consolidated 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| **Not recognised in the Statement of Financial Position** | | |
| *Unrecognised deferred tax assets* | | |
| Tax losses | 9,412 | 10,392 |
| Net (assessable) and deductible differences on sundry items | - | (1) |
| Net unrecognised deferred tax assets | 9,412 | 10,391 |
| Reconciliation of Unrecognised tax balances | | |
| Opening unrecognised amounts | 10,391 | 10,549 |
| Recognition of temporary differences | 1 | - |
| Recognition and use of tax losses | (543) | (158) |
| Recognition of tax assets – losses | (437) | - |
| Total movement | (979) | (158) |
| Closing balance | 9,412 | 10,391 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items until it is probable that future taxable profits will be available against which the Group can utilise these benefits.

## 12. LOANS RECEIVABLE

| | Consolidated 30 June 2015 $'000 | 30 June 2014 $'000 |
|---|---|---|
| Loans – unit trust | - | 295 |
| Loans – vendor finance | 625 | - |
| | 625 | 295 |
| Current | 84 | - |
| Non-current | 541 | 295 |
| | 625 | 295 |

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

Vendor finance loans have maturity dates of between 6.5 and 8.1 years and interest is payable on these loans at a rate of between 5.50%-6.25%.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 13. INVESTMENT IN SUBSIDIARIES

| | Country of Incorporation | Equity Holding 30 June 2015 % | Equity Holding 30 June 2014 % |
|---|---|---|---|
| Compton's Caboolture Pty Ltd | Australia | 100% | 100% |
| Compton's Villages Australia Unit Trust | Australia | 100% | 100% |
| Easy Living (Bundaberg) Unit Trust | Australia | 100% | - |
| Easy Living Unit Trust | Australia | 100% | - |
| ECG No. 1 Pty Ltd | Australia | 100% | - |
| Elizabeth Vale Scenic Village Pty Ltd | Australia | 100% | - |
| Eureka Care Communities Pty Ltd | Australia | 100% | 100% |
| Eureka Care Communities Unit Trust | Australia | 100% | 100% |
| Eureka Cascade Gardens (Cairns) Pty Ltd | Australia | 100% | 100% |
| Eureka Cascade Gardens (Lismore) Pty Ltd | Australia | 100% | - |
| Eureka Cascade Gardens Pty Ltd | Australia | 100% | 100% |
| Eureka Group Care Pty Ltd | Australia | 100% | 100% |
| Eureka Property Pty Ltd | Australia | 100% | 100% |
| Eureka Easy Living Pty Ltd | Australia | 100% | - |
| SCV Leasing Pty Ltd | Australia | 100% | 100% |
| SCV Manager Pty Ltd | Australia | 100% | 100% |
| SCV No. 1 Pty Ltd | Australia | 100% | 100% |
| SCV No. 2 Pty Ltd | Australia | 100% | 100% |

## 14. INVESTMENT PROPERTY

| | Consolidated 30 June 2015 $'000 | Consolidated Restated 30 June 2014 $'000 |
|---|---|---|
| Investment properties at fair value | 39,689 | 6,658 |
| **Movements in investment properties:** | | |
| Balance at beginning of reporting period | 6,658 | - |
| Acquisitions | 31,836 | - |
| Reclassification from property, plant and equipment | 50 | 6,658 |
| Transfer from assets classified as held for sale | 271 | - |
| Net increment due to fair value adjustment | 874 | - |
| Balance at end of reporting period | 39,689 | 6,658 |

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

Information about the valuation of investment properties is provided Note 23.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

Amounts recognised in profit or loss for investment properties:

| | Consolidated 30 June 2015 $'000 |
|---|---|
| Rental income | 3,811 |
| Income from food and other sources | 513 |
| Direct operating expenses | (1,812) |
| Fair value gain recognised in other income | 874 |

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

Details of investment properties are as follows:

| Property | Location | Acquisition date | Book value 30 Jun 15 $'000 | Book value 30 Jun 14 $'000 |
|---|---|---|---|---|
| Avenell Village on Vasey Bundaberg | Bundaberg QLD | Oct-14 | 4,236 | Nil |
| Lot 21 134-136 King Street Caboolture | Caboolture QLD | Sep-12 | 70 | 61 |
| Lot 43 134-136 King Street Caboolture (manager's unit) | Caboolture QLD | May-14 | 277 | 145 |
| 53 & 54 34 King Street Caboolture (manager's unit) | Caboolture QLD | Jan-15 | 140 | Nil |
| 80 134-136 King Street Caboolture (manager's unit) | Caboolture QLD | Jan-15 | 277 | Nil |
| Cascade Gardens Cairns | Cairns QLD | Jul-14 | 3,622 | Nil |
| Lot 51 Christie Downs Community Centre (manager's unit) | Christie Downs SA | Dec-14 | 250 | Nil |
| Elizabeth Vale Scenic Village 1 | Elizabeth Vale SA | Oct-14 | 4,230 | Nil |
| Elizabeth Vale Scenic Village 2 | Elizabeth Vale SA | Apr-15 | 3,900 | Nil |
| Lot 49 Hackham Community Centre (manager's unit) | Hackham SA | Oct-14 | 290 | Nil |
| 97 144 Main South Road Hackham | Hackham SA | May-15 | 290 | Nil |
| 33 Mardross Court Lavington | Lavington VIC | Jun-15 | 2,550 | Nil |
| Lismore Holiday Park Lismore | Lismore NSW | May-15 | 4,000 | Nil |
| Cascade Gardens Mackay | Mackay QLD | Apr-14 | 6,534 | 6,452 |
| 344 San Mateo Avenue Mildura | Mildura VIC | Jun-15 | 2,549 | Nil |
| 60 Poplar Avenue Shepparton | Shepparton VIC | Jun-15 | 1,850 | Nil |
| 84 10 Winani Street Slacks Creek (manager's unit) | Slacks Creek QLD | Jul-04 | 165 | Nil |
| Lot 20 56A Moores Pocket Road Tivoli (manager's unit) | Tivoli QLD | Mar-15 | 80 | Nil |
| Myall Place Retirement Village | Whyalla SA | Jan-15 | 4,379 | Nil |
| | | | 39,689 | 6,658 |

Refer to note 23 for Fair value hierarchy disclosures for investment properties.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 15. PROPERTY, PLANT & EQUIPMENT

| | Consolidated 30 June 2015 $'000 | Restated 30 June 2014 $'000 |
|---|---|---|
| Buildings at cost | 642 | 690 |
| Accumulated depreciation | (156) | (137) |
| | 486 | 553 |
| Plant & equipment at cost | 1,139 | 925 |
| Accumulated depreciation | (761) | (708) |
| | 378 | 217 |
| Motor Vehicles at Cost | 15 | - |
| Accumulated depreciation | (1) | - |
| | 14 | - |
| Total property, plant & equipment | 878 | 770 |

Property, plant and equipment is pledged as security – refer note 19 (b)

Reconciliation of movements in property, plant & equipment:

| | Village land and buildings $'000 | Buildings $'000 | Plant & Equipment $'000 | Motor Vehicle $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance at 1 July 2013 | - | 1,105 | 186 | - | 1,291 |
| Additions at cost | 6,487 | 216 | 77 | - | 6,780 |
| Reclassification to investment property | (6,452) | (206) | - | - | (6,658) |
| Transfer (to)/from assets held for sale | - | (541) | - | - | (541) |
| Depreciation expense | (35) | (21) | (46) | - | (102) |
| Closing balance at 30 June 2014 (Restated) | - | 553 | 217 | - | 770 |
| Opening balance at 1 July 2014 (Restated) | - | 553 | 217 | - | 770 |
| Additions at cost | - | 2 | 222 | 15 | 239 |
| Disposals | - | (11) | (36) | - | (47) |
| Reclassification to investment property | - | (50) | - | - | (50) |
| Depreciation expense | - | (8) | (25) | (1) | (34) |
| Closing balance at 30 June 2015 | - | 486 | 378 | 14 | 878 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 16. INTANGIBLE ASSETS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Management rights – at cost | 3,859 | 3,565 |
| Accumulated amortisation | (929) | (831) |
| Carrying amount of management rights | 2,930 | 2,734 |
| Rent rolls – at cost | 140 | 139 |
| Accumulated amortisation | (31) | (28) |
| Carrying amount of sale rolls | 109 | 111 |
| Other intangibles – at cost | 37 | 35 |
| Accumulated amortisation | (28) | (27) |
| Carrying amount of other intangibles | 9 | 8 |
| Goodwill | 1,955 | 1,955 |
| Total intangible assets | 5,004 | 4,808 |

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

**Impairment tests for Goodwill**

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

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

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

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

- cash flows were projected over a five year period by applying a 2% growth rate (2014: 2%) to the most recent years' cash flows;
- the terminal value was calculated using a growth rate of 2% (2014: 2%);
- cash flows have been discounted using a pre-tax discount rate of 25% (2014: 25%);
- cash flows do not take into account the management of any new villages; and
- cash flows are based on historical results.

The 2% growth rate for the projected cash flow is considered conservative when compared with the business activities over the previous 12 months. The Group expects a steady growth in revenue under the new management team and business structure.

The recoverable amount of the CGU has been determined using the above key assumptions. If the pre-tax discount rate applied to the cash projections of the cash generating unit was increased by 500 basis points, the recoverable amount of the cash generating unit is still greater than the carrying amount. If the cash flows' projection over a five year period was reduced by 50 basis points, the recoverable amount of the cash generating unit is still greater than the carrying amount. No reasonably possible change in any of the other key assumptions could cause the carrying amount of the goodwill to exceed its recoverable amount. As a result of this, the directors did not identify impairment for this CGU.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

Reconciliation of movements in intangible assets:

| | Management Rights $'000 | Rent Rolls $'000 | Goodwill $'000 | Other intangibles $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance at 1 July 2013 | 3,391 | 120 | 1,955 | 1 | 5,467 |
| Additions at cost | - | - | - | 7 | 7 |
| Impairment of management rights | (38)* | - | - | - | (38) |
| Transfer to/from assets held for sale | (449) | - | - | - | (449) |
| Amortisation expense | (170) | (9) | - | - | (179) |
| Closing balance at 30 June 2014 | 2,734 | 111 | 1,955 | 8 | 4,808 |
| Opening balance at 1 July 2014 | 2,734 | 111 | 1,955 | 8 | 4,808 |
| Additions at cost | 534 | 1 | - | 2 | 537 |
| Impairment of management rights | - | - | - | - | - |
| Disposals | (209) | - | - | - | (209) |
| Amortisation expense | (127) | (4) | - | (1) | (132) |
| Closing balance at 30 June 2015 | 2,932 | 108 | 1,955 | 9 | 5,004 |

*Based on the impairment review performed at 30 June 2014, the management rights at Wynnum have been impaired.

The remaining amortisation period on a weighted average basis of the management rights are 23 years (2014: 31 years).

## 17. TRADE & OTHER PAYABLES

| | Consolidated 30 June 2015 $'000 | Consolidated 30 June 2014 $'000 |
|---|---|---|
| Trade creditors and accruals | 499 | 449 |
| Deferred consideration | 109 | - |
| Deposits collected for sale of assets | - | 271 |
| | 608 | 720 |

## 18. PROVISIONS

| | | |
|---|---|---|
| **Current** | | |
| Employee benefits | 64 | 38 |
| | 64 | 38 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 19. OTHER FINANCIAL LIABILITIES

| | | Consolidated | |
|---|---|---|---|
| | | 30 June 2015 $'000 | 30 June 2014 $'000 |
| **Current** | | | |
| Shareholder loans | (c) | - | 554 |
| Convertible notes | (a) | - | 248 |
| Commercial bills – secured | (b) | 356 | 396 |
| Insurance funding | | 10 | 22 |
| Finance lease | | 24 | 31 |
| Motor vehicle loan | | 4 | - |
| | | 394 | 1,251 |
| | | | |
| Commercial bills – secured | (b) | 18,904 | 6,509 |
| Convertible notes | (a) | - | 650 |
| Motor vehicle loan | | 9 | - |
| | | 18,913 | 7,159 |

### (a) Convertible notes

There were no convertible notes issued during the year.

There were no convertible notes outstanding at the end of the financial year.

During the year, 650,000 secured convertible notes were converted to shares at $0.06 per share. 225,000 unsecured convertible notes were converted to shares at $0.10 per share.

In the prior year, the Group had 650,000 secured notes and 225,000 unsecured notes and accrued interest of $23,217 outstanding.

### (b) NAB Facility – Commercial bills and advances

***Terms and conditions – 30 June 2015***

As at 30 June 2015, the Group has access to the following facilities with the National Australia Bank ("NAB"):

- Commercial bill – secured fully drawn limit of $2,709,000 (2014: $3,069,000). Expires on 31 January 2017. Principal repayment of $30,000 per month. Interest is payable at a variable rate on this facility.
- Commercial bill – secured fully drawn limit $16,700,000 (2014: $3,800,000). Expires on 31 December 2019. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2019. Interest is payable at the rate of 4.99% on $7,000,000 and 4.98% on $9,700,000.

The loans are secured by:

- Registered mortgages over its managers' units and other real estate at its Communities (carrying amount of $39,689,242);
- Guarantee and indemnity given by EGH and its controlled entities ($20,947,000); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $51,834,144).

As at 30 June 2015, the Group had the following banking covenants:

- Minimum interest cover of 2.25 times as measured for the 3 month period ending on each quarter.
- Minimum capital adequacy of 30% as measured on a daily basis and reported quarterly.
- Occupancy levels at Mackay, Cairns, Bundaberg, Elizabeth Vale and Whyalla shall not fall below 80% for these properties and reported half yearly; and
- EBITDA for Lismore Lake Holiday Park on a half yearly basis at a minimum of $215,000 per half year.

The Group complied with its covenants through 30 June 2015.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

***Terms and conditions – 30 June 2014***

As at 30 June 2014, the Group has access to a facility with the National Australia Bank ("NAB"), with a fully drawn limit of $6,869,000 (2013: $3,309,000). The facility expires on 31 January 2017 and is secured by:

- Registered mortgages over Cascade Gardens Mackay, managers' units and other real estate at its Communities (carrying amount of $7,428,350);
- Guarantee and indemnity given by EGH and its controlled entities ($7,807,000); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $15,705,561).

Principal repayment terms: $30,000 per month.

As at 30 June 2014, the Group had the following banking covenants:

- Interest Coverage Ratio of 4.0 times to be maintained at all times and measured on a 12 month rolling basis. Until Cascade Gardens Mackay has 12 months trading, rental income from that property can be annualised.
- Maximum Operating Leverage Ratio of 2.75 times to be maintained at all times and measured quarterly on a 12 month rolling basis. Until Cascade Gardens Mackay has 12 months trading, rental income from that property can be annualised. From 30 June 2015 a maximum Operating Leverage Ratio of 2.50 times is to be maintained at all times and measured quarterly on a 12 month rolling basis.

The Group complied with its covenants through 30 June 2014.

**(c) Shareholder loans**

At 30 June 2015, there are no shareholder loans outstanding.

At 30 June 2014, shareholder loans are outstanding to Co-Investor Capital Partners Pty Ltd and Kathlac Pty Ltd (an entity associated with Lachlan McIntosh, Director of EGH - refer to note 25 for details). These loans are at call, unsecured and interest is payable at the rate of 12% (2014: 12%) per annum. Each of the shareholders has confirmed in writing their support to the Group.

## 20. SHARE CAPITAL

### Ordinary shares

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

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

| | Consolidated | | | |
|---|---|---|---|---|
| | 30 June 2015 Number | 30 June 2015 $'000 | 30 June 2014 Number | 30 June 2014 $'000 |
| Balance at start of year | 98,349,930 | 46,035 | 75,632,932 | 44,176 |
| Shares issued at $0.10 from conversion of debt | - | - | 2,500,000 | 250 |
| Shares issued at $0.115 from conversion of debt | - | - | 641,028 | 74 |
| Shares issued at $0.10 for cash | - | - | 14,540,000 | 1,454 |
| Shares issued from conversion of convertible notes at $0.0278 | - | - | 5,035,970 | 140 |
| Share issued from conversion of convertible notes at $0.06 | 10,833,332 | 650 | - | - |
| Shares issued at $0.10 for acquisition of management rights | 1,000,000 | 100 | - | - |
| Shares issued from conversion of convertible notes at $0.10 | 2,250,000 | 225 | - | - |
| Shares issued at $0.15 for cash | 9,333,333 | 1,400 | - | - |
| Shares issued at $0.15 for acquisition of villages [1] | 14,999,999 | 2,250 | - | - |
| Shares issued at $0.25 for cash | 20,000,000 | 5,000 | - | - |
| Shares issued at $0.25 for acquisition of villages [2] | 4,000,000 | 1,000 | - | - |
| Shares issued at $0.45 for cash | 27,333,333 | 12,300 | - | - |
| Capital raising costs | - | (712) | - | (59) |
| On issue at end of the year | 188,099,927 | 68,248 | 98,349,930 | 46,035 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

[1] These shares were issued as part of the non-cash consideration paid to acquire the Easy Living Unit Trust and Easy Living (Bundaberg) Unit Trust during the period.

[2] These shares were issued as part of the non-cash consideration paid to acquire Elizabeth Vale Scenic Village Pty Ltd during the period.

**Options**

No options were issued during the period.

**21. CASH FLOW INFORMATION**

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| **(a) Reconciliation of cash** | | |
| Cash at bank and on hand | 5,154 | 1,285 |

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

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Profit/(loss) for the year | 3,105 | 661 |
| Depreciation and amortisation | 166 | 282 |
| Impairment – management rights | - | 38 |
| Impairment – assets held for sale | 47 | - |
| Asset revaluation | (874) | |
| (Gain)/loss on sale of management rights and managers units | (299) | (293) |
| Other income | (72) | |
| Forgiveness of debt | (50) | (200) |
| (Increase)/decrease in: | | |
| - Trade and other receivables | 62 | 162 |
| - Inventories | (10) | 32 |
| - Other current assets | (106) | (136) |
| Increase/(decrease) in: | | |
| - Trade and other payables | (76) | 169 |
| - Provisions | 26 | (5) |
| Net cash flow from/(used in) operating activities | 1,919 | 710 |

# Notes to the Financial Statements



**(c) Non cash investing and financing activities**

During the financial year ended 30 June 2015, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Group converted $875,000 of convertible notes to shares;
- The Group issued $100,000 of shares for acquisition of management rights;
- The Group issued $3,250,000 of shares for acquisition of villages;
- The Group assumed borrowings of $3,700,000, investments of $235,124 and unitholder loans of $323,145 as part of the acquisition of Bundaberg and Elizabeth Vale 1;
- The Group acquired property, plant and equipment of $148,000 as settlement of trade receivables; and
- The Group assumed borrowings of $1,640,000 as part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd.

In the prior financial year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Group converted $140,000 of convertible notes to shares;
- The Group converted $323,718 of shareholders loans and other debts to shares; and
- A debt reduction of $200,000 in relation to a shareholder loan.

## 22. FINANCIAL INSTRUMENTS

**Overall policy**

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

**a) Credit risk**

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

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

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $'000** | **30 June 2014 $'000** |
| *Maximum exposure to credit risk* | | |
| Cash and cash equivalents | 5,154 | 1,285 |
| Trade and other receivables | 306 | 368 |
| Loans receivable | 625 | 295 |
| | 6,085 | 1,948 |

*Cash and cash equivalents*
Deposits of cash are only held with approved banks and financial institutions. The Group currently banks with National Australia Bank.

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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

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

| | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | Gross amount receivable $'000 | Provision for Impairment $'000 | Gross amount receivable $'000 | Provision for Impairment $'000 |
| Due 0-30 days | 102 | - | 60 | - |
| Past due 30-60 days | 39 | - | 66 | - |
| Past due 60-90 days | 45 | - | - | - |
| Past due 90 + days | 141 | (21) | 246 | (4) |
| | 327 | (21) | 372 | (4) |

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

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

| | 30 June 2015 | |
|---|---|---|
| | Gross amount receivable $'000 | Provision for Impairment $'000 |
| Loans receivable | | |
| Current | 84 | - |
| Non-current | 541 | - |
| | 625 | - |

**b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities. There are no unused borrowing facilities at the reporting date.

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

**30 June 2015**

| | | | Consolidated | | |
|---|---|---|---|---|---|
| | Contractual cash flows $'000 | Less than 6 months $'000 | 6 - 12 months $'000 | 1 – 2 years $'000 | More than 2 years $'000 |
| Trade and other payables | 608 | 499 | 109 | - | - |
| Commercial bills | 23,324 | 706 | 654 | 1,193 | 20,771 |
| Other financial liabilities | 47 | 15 | 5 | 21 | 6 |
| Total | 23,979 | 1,220 | 768 | 1,214 | 20,777 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

**30 June 2014**

| | Consolidated<br>Contractual cash flows<br>$'000 | Less than 6 months<br>$'000 | 6 - 12 months<br>$'000 | 1 – 2 years<br>$'000 | More than 2 years<br>$'000 |
|---|---|---|---|---|---|
| Trade and other payables | 449 | 432 | 17 | - | - |
| Commercial bills | 8,099 | 461 | 418 | 817 | 6,403 |
| Other financial liabilities | 1,666 | 314 | 398 | 938 | 17 |
| Total | 10,214 | 1,207 | 833 | 1,755 | 6,420 |

**c) Market risk**

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

**d) Interest rate risk**

The Group's exposure to market interest rates arises from long term borrowings in the form of Commercial Bills. Borrowings issued at variable rates expose the Group to interest rate risk. $2,709,000 of the commercial bills are at variable rates while $16,700,000 is fixed (refer to note 19). The variable portion of the debt does not expose the group to any material interest rate risk.

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

## 23. FAIR VALUE MEASUREMENTS

*Fair value hierarchy*
The Group's assets and liabilities are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

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

*Fair value of financial instruments (unrecognised)*
The Group has a number of financial assets and financial liabilities (loans receivable, commercial bills, convertible notes, loans from key management personnel and shareholder loans) which are not measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, and therefore have not been disclosed.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Consolidated – 2015** | | | | |
| *Assets* | | | | |
| Investment properties | - | - | 39,689 | 39,689 |
| Total assets | - | - | 39,689 | 39,689 |
| **Consolidated – 2014** | | | | |
| *Assets* | | | | |
| Investment properties | - | - | 6,658 | 6,658 |
| Total assets | - | - | 6,658 | 6,658 |

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Investment properties have been valued using 2 methods, the capitalisation method and direct comparison approach. Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property into perpetuity and applying a capitalisation rate. The capitalisation rate is based on current market evidence. Future income projections take into account occupancy, rental income and operating expenses. Under the direct comparison approach, key inputs are the recent sales of comparable units in comparable villages. All resulting fair value estimates for properties are included in level 3.

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

| Description | Valuation technique | Significant unobservable inputs | Range (weighted average) | Relationship of unobservable input to fair value |
|---|---|---|---|---|
| Investment properties – Retirement Villages | Capitalisation method | Capitalisation rate | 6.35%-13.56% (10.78%) | Capitalisation has an inverse relationship to valuation. |
| Investment properties – individual village units | Direct comparison approach | Comparable sales evidence | N/A | Comparable sales evidence has a direct relationship to valuation. |

*Fair value measurements using significant unobservable inputs (level 3)*
Movements in level 3 items during the current and previous financial year are set out below:

| **Consolidated** | Investment properties $'000 |
|---|---|
| Balance at 1 July 2013 | 6,658 |
| Gains recognised in profit or loss | - |
| Gains recognised in other comprehensive income | - |
| Balance at 30 June 2014 | 6,658 |
| | |
| Gains recognised in profit or loss | 874 |
| Gains recognised in other comprehensive income | - |
| Additions | 31,836 |
| Transfer from assets held for sale | 271 |
| Disposals | - |
| Reclassification from property, plant and equipment | 50 |
| | |
| Balance at 30 June 2015 | 39,689 |

*Valuation processes*
No independent valuations were performed on the investment properties as at 30 June 2015. Instead, Management has estimated the fair values by performing internal valuations based on valuations performed by an independent valuer

commissioned by the Group when acquiring the properties. Management commissioned an independent expert as at 30 June 2015 to provide commentary on the market conditions, recent transactions and capitalisation rates for each of the villages owned by the Group. Based on the independent report,all capitalisation rates remained the same as at the time of acquisition. Increases in valuation were specifically based on increased earnings achieved by Eureka during its term of ownership.

## 24. COMMITMENTS

### a) Operating leases: group as lessee

*Non-cancellable operating leases*

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

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Within 1 year | 490 | 335 |
| Greater than 1 year but not longer than 5 years | 1,012 | 905 |
| Greater than 5 years | 1,207 | 1,986 |
| | 2,709 | 3,226 |

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

### b) Capital expenditure

The Group had no capital commitments for property, plant and equipment as at 30 June 2015.

As at 30 June 2014, the Group had a contractual capital commitment for the acquisition of investment property totalling $3,137,500 less the deposit paid of $125,000. This commitment was not recognised as a liability as the relevant assets had not yet been received.

## 25. EARNINGS PER SHARE

| | | |
|---|---|---|
| Net profit/(loss) used in calculating basic and diluted earnings per share | 3,105 | 661 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 138,769 | 82,625 |
| Adjustments made to ordinary shares & potential ordinary shares as a result of convertible notes | - | 7,691 |
| Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share | 138,769 | 90,316 |
| Basic earnings per share | 2.24 cents | 0.80 cents |
| Diluted earnings per share | 2.24 cents | 0.80 cents |

For the year ended 30 June 2015, there were no dilutive transactions to be included in the diluted earnings per share calculation.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 26. RELATED PARTY TRANSACTIONS

### (a) Key management personnel compensation

| | Consolidated | |
|---|---|---|
| | 30 June 2015 $'000 | 30 June 2014 $'000 |
| Short term employee benefits | 902 | 868 |
| Post-employment benefits | 20 | 26 |
| Share-based payments | - | - |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| Total | 922 | 894 |

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

### (b) Other transactions with key management personnel

***(i) Loans from key management personnel***

| | | |
|---|---|---|
| ***Shareholder loan: Kathlac Pty Ltd*** | | |
| Balance at beginning of the year | 100 | 19 |
| Increase in loan amount | 490 | 100 |
| Loan repayments made | (596) | (19) |
| Interest charged | 6 | - |
| Conversion of debt to convertible notes/shares | - | - |
| Balance at end of the year | - | 100 |

| | | |
|---|---|---|
| ***Convertible Note: Kathlac Pty Ltd*** | | |
| Balance at beginning of the year | 51 | - |
| Proceeds received on issue of convertible notes | - | 50 |
| Interest charged | 1 | 2 |
| Interest paid | (2) | (1) |
| Conversion of convertible notes to shares | (50) | - |
| Balance at end of the year | - | 51 |

| | | |
|---|---|---|
| ***Convertible Note: Ignition Capital and Ignition Capital 2 Pty Ltd*** | | |
| Balance at beginning of the year | 410 | - |
| Proceeds received on issue of convertible notes | - | 400 |
| Interest charged | 13 | 22 |
| Interest paid | (23) | (12) |
| Conversion of convertible notes to shares | (400) | - |
| Balance at beginning of the year | - | 410 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

***(ii) Purchases from entities controlled by key management personnel:***

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

| | Consolidated | |
|---|---|---|
| | **30 June 2015 $'000** | **30 June 2014 $'000** |
| Consulting fees | - | - |
| Commission | 23 | - |
| Rent | 101 | 120 |
| Underwriting fees | - | 30 |
| Capital raising fees | 159 | - |
| Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables) | 6 | - |

***(iii) Fees received from entities controlled by Key Management Personnel:***

The Group received fees for the following services from entities that are controlled by members of the Group's Key Management Personnel:

| | | |
|---|---|---|
| Caretaking and management fees | 57 | 66 |
| Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables) | 25 | 29 |

***(iv) Terms and conditions***

All transactions were made on commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash. Refer to note 19(c) for terms and conditions relating to the shareholder loan.

**27. ULTIMATE PARENT ENTITY**

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

**28. CONTINGENCIES**

There are no contingent liabilities or contingent assets at 30 June 2015 that require disclosure in the financial report.

**29. OPERATING SEGMENTS**

*Identification of reportable operating segments and principal services*

For the period ending 30 June 2014, the company operated in one segment, being the management of senior independent living communities. All of the Company's areas of operations were located within Australia. As a result, the financial results from this reportable segment are equivalent to the financial statements of the Group as a whole.

For the period ended 30 June 2015, the Group is organised into two operating segments, all located in Australia:

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

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

- Unallocated – Represents the corporate services functions costs.

The operating segments have been identified based on reports reviewed by the Board of Directors (who are identified as the chief operating decision makers) who are responsible for assessing performance and determining the allocation of resources. There is no aggregation of operating segments and the Board of Directors views each segments performance

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

| **Consolidated - 30 June 2015** | **Rental Villages $'000** | **Property Management $'000** | **Unallocated $'000** | **Total $'000** |
|---|---|---|---|---|
| Revenue | 4,490 | 6,361 | - | 10,851 |
| Other revenue | 920 | 441 | - | 1,361 |
| **Total Revenue** | 5,410 | 6,802 | - | 12,212 |
| | | | | |
| Expenses | 1,944 | 4,655 | 1,650[1] | 8,249 |
| Interest expense | 576 | 172 | 110 | 858 |
| **Total expenses** | 2,520 | 4,827 | 1,760 | 9,107 |
| | | | | |
| Profit before income tax expense | 2,890 | 1,975 | (1,760) | 3,105 |
| Income tax expense | - | - | - | - |
| **Profit after income tax expense** | 2,890 | 1,975 | (1,760) | 3,105 |
| | | | | |
| Segment Assets | 40,543 | 5,863 | 5,428 | 51,834 |
| Segment Liabilities | 16,888 | 2,757 | 334 | 19,979 |

[1] Included within unallocated expenses is employee benefits expense of $0.716m and other administrative expenses of $0.934m.

| Non-cash and other significant items included in profit above: | | | | |
|---|---|---|---|---|
| Gain on revaluation of investment property | 874 | - | - | 874 |
| Forgiveness of debt | - | 50 | - | 50 |
| Gain on sale of management rights | - | 299 | - | 299 |
| Depreciation & amortisation | - | (150) | (16) | (166) |
| Impairment of receivables | - | (47) | - | (47) |
| | | | | |
| Segment acquisitions: | | | | |
| Acquisition of property, plant and equipment | 148 | 68 | 23 | 239 |
| Acquisition of investment property | 31,836 | - | - | 31,836 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

## 30. REMUNERATION OF AUDITORS

| | | Consolidated 30 June 2015 $ | Consolidated 30 June 2014 $ |
|---|---|---|---|
| During the financial year the following fees were paid or payable for services provided by the auditor of the company and its related practices: | | | |
| *(i)* | *Audit and other assurance services – BDO Audit Pty Ltd* Audit and review of financial statements | 107,000 | 102,057 |
| *(ii)* | *Other Services – BDO Audit Pty Ltd* Accounting advice | 5,000 | - |
| | | 112,000 | 102,057 |

## 31. PARENT ENTITY DISCLOSURES

| | Consolidated 30 June 2015 $'000 | Consolidated 30 June 2014 $'000 |
|---|---|---|
| Information relating to Eureka Group Holdings Limited (parent entity): | | |
| **Results of the parent entity** | | |
| Profit/(loss) for the period | (1,248) | (692) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | (1,248) | (692) |
| **Financial position of parent entity at year-end** | | |
| Current assets | 35,882 | 6,549 |
| Non-current assets | 7,989 | 5,409 |
| Total assets | 43,871 | 11,958 |
| Current liabilities | 593 | 1,067 |
| Non-current liabilities | 18,904 | 7,384 |
| Total liabilities | 19,497 | 8,451 |
| Share capital | 68,248 | 46,035 |
| Accumulated losses | (43,874) | (42,528) |
| Total equity | 24,374 | 3,507 |

***Guarantees entered into by the parent entity***

The parent entity has provided financial guarantees in respect of the commercial bills amounting to $20,947,000 and is secured by:

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

***Contingent liabilities of the parent entity***

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014. For information about guarantees given by the parent entity, please see above.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

***Contractual commitments for capital items***

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015.

As at 30 June 2014, the parent entity had a contractual commitment for the acquisition of property, plant and equipment totalling $3,137,500 less the deposit paid of $125,000. This commitment was not recognised as liabilities as the relevant assets had not yet been received as at 30 June 2014.

## 32. SUBSEQUENT EVENTS

The Group has completed the due diligence and gone unconditional (subject to licence transfer being approved by the government) on 31 July 2015 for the acquisition of a 45-person village at Mt Gambier in South Australia for $2.25 million. Settlement of this contract will occur once the licence transfer has been completed.

The Group has announced that it has entered into a conditional contract (subject to a minor condition precedent) for the acquisition of 41 units plus a managers unit in Rockhampton, Queensland for $3.25 million.

The Group is currently in due diligence for its 13$^{th}$, 14$^{th}$ and 15$^{th}$ village acquisitions.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2015

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

1. In the opinion of the Directors of Eureka Group Holdings Limited (the "company"):
    a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
        i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
        ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
    b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
    c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the Board

**Robin Levison**
Chairman

Dated in Brisbane this 25th day of August, 2015

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Eureka Group Holdings Limited

## Report on the Financial Report

We have audited the accompanying financial report of Eureka Group Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eureka Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

(a) the financial report of Eureka Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2015. 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.

**Opinion**

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit Pty Ltd**

BDO

KL Colyer

**K L Colyer**
Director

Brisbane, 25 August 2015

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF EUREKA GROUP HOLDINGS LIMITED**

As lead auditor of Eureka Group Holdings Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**K L Colyer**
Director

**BDO Audit Pty Ltd**

Brisbane, 25 August 2015

# Corporate Governance Statement

The Board has prepared a corporate governance statement that set outs the key corporate governance practices approved by the Board and to which both the Board collectively and the Directors individually are committed.

In formulating and adopting its corporate governance principles, the Directors have adopted and other than where explicitly stated complies with ASX Corporate Governance Principles and Recommendations, 3rd Edition and is current as at **30 June 2015**.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in the statement Corporate Governance Statement, the Company's 2015 Annual Report and other relevance governance documents and materials on the Company's website, are provided in the corporate governance section of the Company's website at http://www.eurekagroupholdings.com.au/governance/. The Company's Corporate Governance Statement together with the ASX Appendix 4G and this Annual Report, were also lodged with the ASX on 25 August 2015.

Owing to the size of the Group and the transition necessary to grow and fund the business, the Board has five Directors of which three are non-executive Directors with one Director who is independent. The independent Director is chairman of the two board committees and the committees are made up of non-executive Directors. Whilst this composition does not fully comply with its charter and ASX recommendations, the Board believes the experience and skill set of the non-executive Directors ensures both independent judgement and oversight of management is exercised by a majority of the Board.

The Board has also established the following charters that are available on the Company's website:

- Board Charter
- Audit & Risk Committee Charter
- Nomination & Remuneration Committee Charter
- Share Trading Policy

# Corporate Directory

**Postal Address**
Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227

**Board of Directors**
Robin Levison (Non - Executive Chairman)
Lachlan McIntosh
Nirmal Hansra
Greg Rekers
Kerry Potter

**Interim Company Secretary**
Oliver Schweizer

**Solicitors**
HWL Ebsworth
Level 2 Brisbane
500 Queen St,
Brisbane Qld 4000
Tel: 07 3002-6790
Fax:1300 368 717

**Auditors**
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane Qld 4000
Tel: 07 3237-5999
Fax: 07 3221-9227

**Share Registry**
Link Market Services – Brisbane
Level 12, 300 Queen Street
Brisbane Qld 4000
Call Centre: 02 8280-7454
Fax: 07 3228-4999

**Listing Details**
ASX Limited Brisbane
Code: Shares – EGH

**Australian Business Number**
15 097 241 159

# Security Holder Information

**Distribution of Securities as at 24 August 2015**

| Number of Securities | No of Shareholders |
|---|---|
| 1 – 1,000 | 221 |
| 1,001 – 5,000 | 188 |
| 5,001 – 10,000 | 80 |
| 10,001 – 100,000 | 226 |
| 100,001 and over | 272 |
| **Total Security Holders** | **987** |

**Marketable Shares**

There were 235 holders of less than a marketable parcel of 1,177 shares holding a total of 114,761 shares.

**Voting Rights**

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

| **Twenty Largest Ordinary Shareholders as at 24 August 2015** | **No of Ordinary Shares Held** | **% of Issued Share Capital** |
|---|---|---|
| Lachaln McIntosh (through controlled entities) | 12,646,166 | 6.72% |
| Robin Levison (through controlled entities) | 12,349,608 | 6.57% |
| National Nominees Limited | 12,114,613 | 6.44% |
| Sandhurst Trustees Ltd <Tbf Small Cap Val Grwth A/C> | 10,587,831 | 5.63% |
| Wavet Fund No 2 Pty Ltd | 8,083,334 | 4.30% |
| J P Morgan Nominees Australia Limited | 7,769,531 | 4.13% |
| PPK Investment Holdings Pty Ltd | 6,450,000 | 3.43% |
| Richard Mews (through controlled entities) | 5,392,058 | 2.87% |
| Citicorp Nominees Pty Limited | 4,222,414 | 2.24% |
| UBS Nominees Pty Ltd | 4,104,146 | 2.18% |
| HSBC Custody Nominees (Australia) Limited | 3,252,054 | 1.73% |
| Moat Investments Pty Ltd | 3,144,158 | 1.67% |
| Mrs Leora Shamgar | 2,960,000 | 1.57% |
| Greg Rekers (through controlled entities) | 2,870,608 | 1.53% |
| Kerry Potter (through controlled entities) | 2,866,442 | 1.52% |
| Brazil Farming Pty Ltd | 2,748,890 | 1.46% |
| Truwind Pty Ltd | 2,726,585 | 1.45% |
| QFM Nominees Pty Ltd | 2,659,641 | 1.41% |
| Mr Alister Charles Wright | 2,542,334 | 1.35% |
| Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C> | 2,466,686 | 1.31% |
| Total | 111,957,098 | 59.52% |

| **Securities in which Directors have a Relevant Interest at 24 August 2015** | **Ordinary Shares** | **Options** |
|---|---|---|
| Robin Levison | 12,349,608 | - |
| Lachlan McIntosh | 12,646,166 | - |
| Nirmal Hansra | 583,334 | - |
| Greg Rekers | 2,870,608 | - |
| Kerry Potter | 2,866,442 | - |
| Total | 23,041,020 | - |

*All photo's included in this AR are actual photo's of Eureka residents and villages.*