

Appendix 4E**Preliminary Final Report
Year ended 30 June 2015****EUMUNDI GROUP LIMITED
ACN 010 947 476****1. Reporting Period**

The financial information contained in this report is for the year ended 30 June 2015.

Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2014.

2. Results for Announcement to the Market

| | | % | | (\$'000) |
|-----|--|---|-----|-------------|
| 2.1 | Revenues from ordinary activities | down | 5% | to \$22,444 |
| 2.2 | Profit (loss) from ordinary activities after tax attributable to members | down | 27% | to \$2,298 |
| 2.3 | Net Profit (loss) for the period attributable to members | down | 27% | to \$2,298 |
| 2.4 | Dividends | The Board has declared a final fully franked dividend of 0.3 cents per share payable on 19 October 2015. The Eumundi Group Limited Dividend Reinvestment Plan will apply to the final dividend with a DRP price cap of 6.6 cents per share. The company paid an interim fully franked dividend of 0.2 cents per share on 27 March 2015. | | |
| 2.5 | Record date for determining entitlements to the final dividend | 5pm Monday, 12 October 2015 | | |
| 2.6 | Refer to Chairman's message and Review of Operations in the Directors' report | | | |
| 2.7 | Net assets at 30 June 2015 of \$28,626,000 represents an increase of 10.2% from \$25,982,000 at 30 June 2014. Net tangible asset backing per share of 8.5 cents compares with 8.0 cents per share in the prior year. | | | |

3. Other Information

Except for matters noted above, all disclosure requirements pursuant to ASX Listing Rule 4.3A are provided in the Company's Consolidated Financial Statements which accompany this report.

4. This report is based on accounts to which one of the following applies:

The accounts have been audited



The accounts are in the process of being audited

The accounts have been subject to review

The accounts have *not* yet been audited or reviewed.

5. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.

Not applicable

6. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.

Not applicable



Joe Ganim
Chairman
31st August 2015

EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2015

Chairman's message

I am pleased to report to shareholders a statutory net profit of \$2,298,000 for the 2015 financial year.

Eumundi achieved a number of significant goals during 2015, each of them another step towards our strategic direction of enhancing existing quality assets and positioning the company for strategic hotel acquisitions. A great deal of time and effort has been put in to achieve an outcome for the company and we are well on the way to accomplishing our goal.

Early in the year, we assessed a number of capital improvement options for Bribie Harbour Shopping Village. The board determined that the capital expenditure would increase our debt exposure, as moderate as it was, and that the required return for such investment would be too far off and uncertain to justify the cost. Instead, the board and executive determined to test the market for a sale of the asset. In addition, the Board considered that, in view of the global economy and the extraordinarily rapid and seemingly unsustainable growth in the Chinese economy, coupled with its spiralling stock market, the signs were ominous that cash and not debt would be the defining factor in such a volatile atmosphere.

With Woolworths as the anchor tenant at the Bribie centre, leasing of the vacant tenancies was pursued vigorously during the first six months of the year and the hard work paid off. In February 2015 we negotiated a pleasing deal for the sale of the Bribie Harbour Shopping Village at a premium price of \$13,150,000 and divested this non-core asset. The sale proceeds were used to reduce bank debt and positioned the company exactly where the board wanted it to be with a low debt ratio, extremely safe and favourable bank covenants and a very strong and sustainable income from the remaining quality assets.

In March 2015, we commenced major renovations at the Aspley Central Tavern which required closure of the venue's kitchen facilities and significantly constrained the operation of the business. Gaming operations continued throughout the project, albeit at a reduced level. The capital works were completed in late August 2015 for a total cost of approximately \$850,000, of which all but \$264,000 had been paid as at 30 June 2015. These works have transformed a once tired, older style hotel with unusable floor space into an attractive, vibrant venue with a modern TAB and gaming lounge, increased internal and external dining capacity and function capability and improved service efficiency. Early results from the operations are promising and the prognosis justified the capital investment.

As the anchor tenant of the Aspley Shopping Centre, the upgrade to the tavern has dramatically enhanced the centre's presentation. This improvement is expected to flow through to the centre's tenants by increasing exposure and patronage and it should also assist us with leasing outcomes in the centre.

Operating cash flows remained strong despite the reduction in investment property income following the sale of Bribie Harbour Shopping Village and the loss of hotel revenues during the redevelopment of the Aspley Central Tavern.

Along with cash inflows from operations, proceeds from the Bribie sale were applied to reduce borrowings by \$14,645,000 during the year. Drawn debt is now less than \$10,000,000 even allowing for capital works at the Aspley Central Tavern. Our gearing ratio has improved from slightly below 50% last year to less than 30% as at June 2015, with interest rates at historically low levels. In short, the board is very pleased to report that the group's financial position is now the strongest in its 30 year history.

The company restructured its borrowing facilities beneficially, further reducing the costs of capital during the last quarter of 2014/15 and ensuring a favourable position for the future.

Shareholders received a fully franked dividend of 0.2 cents per share in March 2015 on achieving the sale of the Bribie Harbour property. The Dividend Reinvestment Plan provided shareholders with the ability to reinvest the cash dividend in additional shares in the company, according to their individual preferences, while retaining available facilities for future business

opportunities. The Dividend Reinvestment Plan was exceptionally well received, with over 87% of shareholders participating in the plan and reinvesting their dividend. This was an increase on the 72% participation rate in relation to the June 2014 dividend. The board appreciates the strong level of support from shareholders and the favourable response to these capital management initiatives.

The company's strong operating cash flows, improved balance sheet position and access to undrawn credit facilities provide the group with the capability to improve the group's hotel and investment property assets and to pursue investment opportunities that meet the board's exacting standards. In this regard, the board is actively looking for significant growth by way of acquisitions with an emphasis on complementary hotel businesses. This process is well advanced from where it was last year.

The Board and executive have confidence in the company's future growth strategies and prospects. The tough economic times at present may well be the company's friend given the quality of our assets, the strength of our financial position and the opportunities we expect to become available.

I would like to thank our multi-talented CEO Suzanne Jacobi-Lee for her dedication and loyalty, our CFO Robyn Cavanough and our hotel executives and staff, all of whom have contributed to the company's success and stability. I would also like to thank my fellow Board members, Gilbert De Luca and Vern Wills, and our company secretary, Leni Stanley, whose wise counsel and knowledge in their respective areas of expertise give a very comforting balance to all of our decision-making.



JM Ganim
Chairman

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Corporate directory

| | |
|---|---|
| Directors | Joseph Michael Ganim <i>Non-executive Chairman</i> Gilbert De Luca Vernon Alan Wills |
| Chief Executive Officer | Suzanne Jacobi-Lee |
| Company secretary | Leni Pia Stanley |
| Notice of annual general meeting | The annual general meeting of Eumundi Group Limited will be held: at HopgoodGanim Lawyers Level 7, 1 Eagle Street Brisbane Qld 4000 time 11:00am date Friday 20 th November 2015 |
| Principal registered office in Australia | c/- HopgoodGanim Lawyers Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: (07) 3024 0000 |
| Principal place of business | Level 15, 10 Market Street Brisbane Qld 4000 Telephone: (07) 3229 7222 Facsimile: (07) 3211 8222 |
| Share registry | c/- Computershare Registry Services Pty Limited 117 Victoria Street West End Qld 4101 Telephone 1300 552 270 |
| Auditor | Pitcher Partners Level 30, Central Plaza One 345 Queen Street Brisbane Qld 4000 |
| Solicitors | HopgoodGanim Lawyers Level 8, 1 Eagle Street Brisbane Qld 4000 |
| Bankers | National Australia Bank 255 Adelaide Street Brisbane Qld 4000 |
| Stock exchange listing | Eumundi Group Limited shares are listed on the Australian Securities Exchange |
| Web site address | www.eumundigroup.com.au |

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as the group) consisting of Eumundi Group Limited and its controlled entities for the year ended 30 June 2015.

1. Directors

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

J M Ganim
G De Luca
V A Wills

2. Principal activities

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

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

3. Dividends

On 6 February 2015 the board declared a fully franked dividend of \$631,000 (0.2 cents per share) which was paid to shareholders on 27 March 2015 (2014: \$1,419,000 (0.5 cents per share)). The board has declared a fully franked final dividend of \$985,000 (0.3 cents per share) which will be paid to shareholders on 19 October 2015.

4. Review of operations

Financial Results

Eumundi Group Limited recorded a profit after tax of \$2,298,000 for the year ended 30 June 2015 (2014: \$3,166,000).

The current year profit includes a fair value increment on revaluation of investment properties of \$1,322,000 primarily due to a significant increase for the Bribie Harbour Shopping Village of \$1,295,000. The prior year profit included fair value increments totalling \$2,430,000 made up of increments on Bribie Harbour Shopping Village of \$1,329,000, Aspley Arcade Shopping Village of \$703,000 and Aspley Shopping Centre of \$398,000 attributable to tightened yields and improved leasing outcomes.

Revenue from continuing operations of \$22,444,000 represents a decrease of 5.0% compared with \$23,617,000 for the prior year.

Investment property revenues decreased by \$550,000 from \$3,884,000 in 2014 to \$3,334,000 in the current year due to loss of Bribie Harbour Shopping Village revenues following sale of the property in February 2015. No gain or loss on sale was recorded as the property had been revalued at 31 December 2014 to reflect its fair value which equated to the sale proceeds of \$13,150,000.

Hotel segment revenues decreased from \$19,705,000 in 2014 to \$19,086,000 in the current year with a decline in sales observed in the retail and commercial liquor operations and decreased revenue from Aspley Central Tavern during major renovations which commenced in late March 2015 and were completed in August 2015. These declines were partially offset by improved gaming revenues.

Cost of sales and operating costs were reduced in line with turnover resulting in a hotel segment result of \$1,447,000, a slight reduction of \$29,000 compared with the prior year's result of \$1,476,000. Improved sales are expected across the Aspley Central Tavern's bar, restaurant and gaming operations in the coming year following the completion of renovations.

Financing costs were \$834,000 in 2015 compared with \$1,512,000 in the previous year due to debt reduction of \$14,700,000 following the sale of the Bribie Harbour Shopping Village in February 2015 and repayment of debt from operating cash flows. The resulting strong balance sheet position enabled negotiation of favourable debt terms with the group's banker further contributing to lower financing costs during the second half of the year.

Having regard for the redevelopment of the Aspley Central Tavern during the last quarter and costs associated with the sale of Bribie Harbour Shopping Village, the underlying earnings for the year of \$1,917,000 before fair value adjustments and tax compare favourably with the prior year result of \$1,944,000.

Financial Position

Net assets at 30 June 2015 were \$28,626,000, an increase of 10.2% from \$25,982,000 at 30 June 2014.

Total borrowings decreased from \$24,324,000 at 30 June 2014 to \$9,679,000 at 30 June 2015 with funds generated from the sale of Bribie Harbour Shopping Village and surplus operating cash flows being applied to debt reduction.

Net debt of \$8,230,000 at 30 June 2015 (2014:\$22,923,000) represents a significantly improved net debt to equity ratio of 28.8% (2014: 88.2%)

4. Review of operations (continued)

On 27 March 2015, the company issued 13,021,155 ordinary shares pursuant to a fully underwritten dividend reinvestment plan in connection with a dividend announced on 6 February 2015.

As a result, issued share capital increased from 315,443,579 shares to 328,464,734 shares.

Net tangible asset backing was 8.7 cents per share at 30 June 2015 compared with 8.0 cents per share at 30 June 2014.

5. Significant changes in the state of affairs

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

6. Matters subsequent to the end of the financial year

Redevelopment works at the Aspley Central Tavern were completed in August 2015.

Other than the above and the proposed final dividend in respect of the year ended 30 June 2015 (refer section 3 of this directors' report), there are no other matters or circumstances that have arisen since 30 June 2015 that have significantly affected, or may significantly affect, the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

7. Likely developments and expected results of operations

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

8. Environmental regulation

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

9. Information on directors**Joseph Michael Ganim** – Non-executive chairman

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

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

He has extensive public company board experience and, in addition to his role as chairman of Eumundi Group, is currently also a director of ASX listed Site Group International Limited. Mr Ganim also advises and sits on the boards of 7 private companies, including as a board representative executor of deceased estates involved in substantial business enterprises.

Special responsibilities:

Member of the audit committee

Gilbert De Luca – Non-executive director

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

Special responsibilities:

Member of the audit committee

Vernon Alan Wills – Non-executive director

Mr Wills, who joined the board as independent director in 2004, has an extensive background in areas of investment and finance in a broad range of industries including property, mining, IT and education, and is currently Chief Executive Officer and Managing Director of Site Group International Limited. Mr Wills was previously Chair of Dark Blue Sea Limited, Deputy Chair of Queensland government's Major Sports Facilities Authority, director of CITEC, Careers Australia Limited, Go-Talk Pty Ltd and Greg Norman Golf Foundation and served on the National Competition Policy – Queensland Liquor Review.

Special responsibilities:

Chairman of the audit committee

9. Information on directors (continued)

Interests of directors

| <i>Names of directors</i> | <i>Ordinary shares</i> | <i>Options</i> |
|---------------------------|------------------------|----------------|
| J M Ganim | 88,790,809 | - |
| G De Luca | 54,705,056 | - |
| V A Wills | - | - |

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

10. Information on company secretary

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

11. Meetings of directors

The numbers of meetings of the company's board of directors and of its board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

| | Directors' meetings | | Audit committee meetings | |
|-----------|---|-------------------|---|-------------------|
| | Meetings held during the period whilst holding office | Meetings attended | Meetings held during the period whilst holding office | Meetings attended |
| J M Ganim | 10 | 10 | 2 | 2 |
| G De Luca | 10 | 9 | 2 | 2 |
| V A Wills | 10 | 10 | 2 | 2 |

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

12. Remuneration report

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

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

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

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

Executives

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

The remuneration policy for executives and other senior employees in terms of cost, market competitiveness and the linking of remuneration to the financial and operational performance of the company is continually reviewed. Compensation in the form of cash bonuses is designed to reward key management personnel for meeting or exceeding financial and non-financial objectives. There are no fixed performance criteria. During the year the board assesses the performance of individuals and where appropriate approves discretionary cash bonuses.

Non-executive directors

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

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

Non-executive director remuneration is determined within the aggregate directors' fee pool, which is periodically recommended for approval by shareholders. The latest determination was at an Annual General Meeting held on 24 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per annum. The actual amount paid during the financial year ended 30 June 2015 was \$160,000 (2014: \$210,000).

12. Remuneration report (continued)

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

Relationship to performance

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

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-------|------|---------|-------|-------|
| Profit/(loss) after tax attributable to members (\$'000) | 1,854 | 178 | (1,285) | 3,166 | 2,298 |
| Dividends paid (\$'000) | - | - | - | 1,419 | 631 |
| Share price at end of year | 5¢ | 5.5¢ | 5¢ | 5¢ | 5.5¢ |

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of Eumundi Group Limited and each of the key management personnel of the company and the consolidated entity for the year ended 30 June 2015 are set out in the following tables.

| | Short term employee benefits | | | Post-employment benefits | Long Term Benefits | Share based payments | Total | % Performance based |
|---------------------------------------|------------------------------|--------------|-------------------|--------------------------|--------------------|----------------------|----------------|---------------------|
| | Cash salary and fees* | Cash bonuses | Non-cash benefits | Super-annuation | Long Service Leave | Options | | |
| 2015 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | | |
| J M Ganim | 54,795 | - | - | 5,205 | - | - | 60,000 | - |
| G De Luca | 45,662 | - | - | 4,338 | - | - | 50,000 | - |
| V A Wills | 50,000 | - | - | - | - | - | 50,000 | - |
| Total | 150,457 | - | - | 9,543 | - | - | 160,000 | |
| Other key management personnel | | | | | | | | |
| S Jacobi-Lee | 181,320 | - | 6,241 | 16,255 | 3,468 | - | 207,284 | - |
| Total | 181,320 | - | 6,241 | 16,255 | 3,468 | - | 207,284 | |
| 2014 | | | | | | | | |
| Directors | | | | | | | | |
| J M Ganim | 54,920 | - | - | 5,080 | - | - | 60,000 | - |
| G De Luca | 45,767 | - | - | 4,233 | - | - | 50,000 | - |
| V A Wills | 50,000 | - | - | - | - | - | 50,000 | - |
| C R McCart ⁽²⁾ | 50,000 | - | - | - | - | - | 50,000 | - |
| Total | 200,687 | - | - | 9,313 | - | - | 210,000 | |
| Other key management personnel | | | | | | | | |
| L Stanley | 15,000 | - | - | - | - | - | 15,000 | - |
| S Jacobi-Lee | 185,320 | - | 5,761 | 16,255 | 3,468 | - | 210,804 | - |
| R Mikkelsen ⁽¹⁾ | 101,355 | - | - | 9,099 | - | - | 110,454 | - |
| Total | 301,675 | - | 5,761 | 25,354 | 3,468 | - | 336,258 | |

* Amounts disclosed include leave entitlement accrued during the year

(1) R Mikkelsen commenced maternity leave on 11 July 2014 and resigned effective 14 July 2015 without returning to the role.

(2) C R McCart resigned on 30 June 2014.

The board has reassessed the executive group and has reduced the disclosures in the above table strictly to those individuals with the authority and responsibility for planning, directing, and controlling the activities of the entity directly or indirectly.

There were no other executives in the current or prior year.

Eumundi Group Limited's resolution put forward at the 2014 annual general meeting proposing that the remuneration report be adopted received 91% "yes" votes. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

C. Service agreements

S Jacobi-Lee (chief executive officer)

Ms Jacobi-Lee receives a salary package of \$191,900 pa inclusive of superannuation, and 3 months notice is required in the event of termination.

12. Remuneration report (continued)

D. Share-based compensation

There have been no share based payment benefits, vested or exercised, or granted as compensation during the year (2014: nil).

E. Equity instruments held by key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

There have been no option based payment compensation benefits granted, vested or exercised during the year.

(ii) Option holdings

There were no options over ordinary shares in the parent entity held by key management personnel during, or at the end of, the year.

(iii) Share holdings

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

| | Balance at start of year | Take up of Dividend Reinvestment Plan entitlement | Net change other | Balance at end of year |
|---------------------------------------|--------------------------|---|------------------|------------------------|
| 2015 | | | | |
| Directors | | | | |
| J M Ganim | 97,016,723 | 4,004,813 | - | 101,021,536 |
| G De Luca | 52,908,370 | 2,176,701 | - | 55,085,071 |
| V A Wills | - | - | - | - |
| Other key management personnel | | | | |
| S Jacobi-Lee | - | - | - | - |

F. Other transactions with key management personnel

During the year the group received architectural services from a related entity of G De Luca to the value of \$6,480 (2014: \$5,000). A total of \$540 was owing to the related party at 30 June 2015 (30 June 2014: \$Nil).

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

13. Shares under option

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

14. Shares issued on exercise of options

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

15. Insurance of officers

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

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

16. Proceedings on behalf of the company

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

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

17. Non-audit services

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

Details of the amounts paid or payable to the auditor (Pitcher Partners) for audit and non-audit services provided during the year are provided below.

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

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

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

| | Consolidated | |
|------------------------------|---------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Pitcher Partners | | |
| Taxation compliance services | 8,150 | 7,600 |

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

18. Rounding of amounts

This company is a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



J M Ganim
Director

Dated at Brisbane this 31st day of August 2015.



PITCHER PARTNERS
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NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN

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

Auditor's Independence Declaration

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

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PITCHER PARTNERS

R.C.N. WALKER
Partner

Brisbane, Queensland
31 August 2015

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|---|-------|---------------------|---------------------|
| Revenue from continuing operations | 5 | 22,444 | 23,617 |
| Other income | | | |
| Net gain on fair value adjustment – investment properties | 13 | 1,322 | 2,430 |
| Reversal of impairment loss | | 50 | - |
| Total revenue and other income | | <u>23,816</u> | <u>26,047</u> |
| Expenses | | | |
| Purchase of inventories | | (8,612) | (9,285) |
| Change in inventories | | (150) | 4 |
| Employee benefits expense | | (3,609) | (3,667) |
| Depreciation and amortisation | 6 | (789) | (513) |
| Insurance | | (93) | (96) |
| Operating lease rentals | | (356) | (334) |
| Rates and taxes | | (97) | (96) |
| Outgoings – investment properties | | (807) | (921) |
| Selling costs – investment properties | | (172) | - |
| Gaming machine tax | | (2,928) | (2,896) |
| Finance costs | 6 | (834) | (1,512) |
| Other expenses | | (2,130) | (2,357) |
| Total expenses | | <u>(20,577)</u> | <u>(21,673)</u> |
| Profit before income tax | | 3,239 | 4,374 |
| Income tax expense | 7 | (941) | (1,208) |
| Profit for the year | | <u><u>2,298</u></u> | <u><u>3,166</u></u> |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Fair value revaluation of land and buildings and land held for resale | | 510 | (301) |
| Income tax on items of other comprehensive income | | (153) | 90 |
| Other comprehensive income for the period, net of tax | | <u>357</u> | <u>(211)</u> |
| Total comprehensive income for the year | | <u><u>2,655</u></u> | <u><u>2,955</u></u> |
| Earnings per share: | | | |
| Basic & diluted earnings per share | 29 | Cents 0.7 | Cents 1.4 |

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

Consolidated Statement of Financial Position

As at 30 June 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 1,449 | 1,401 |
| Trade and other receivables | 9 | 211 | 169 |
| Inventories | 10 | 1,447 | 1,597 |
| Other assets | 11 | 395 | 372 |
| TOTAL CURRENT ASSETS | | 3,502 | 3,539 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 24,857 | 24,217 |
| Investment properties | 13 | 12,600 | 24,400 |
| Deferred tax assets | 7(c) | - | 184 |
| Intangible assets | 14 | 547 | 548 |
| TOTAL NON-CURRENT ASSETS | | 38,004 | 49,349 |
| TOTAL ASSETS | | 41,506 | 52,888 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 2,229 | 2,120 |
| Income tax payable | | 247 | 168 |
| Provisions | 16 | 306 | 294 |
| TOTAL CURRENT LIABILITIES | | 2,782 | 2,582 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 17 | 9,679 | 24,324 |
| Deferred tax liability | 7(c) | 419 | - |
| TOTAL NON-CURRENT LIABILITIES | | 10,098 | 24,324 |
| TOTAL LIABILITIES | | 12,880 | 26,906 |
| NET ASSETS | | 28,626 | 25,982 |
| EQUITY | | | |
| Contributed equity | 18 | 19,192 | 18,572 |
| Reserves | 19(a) | 3,704 | 3,347 |
| Retained profits | 19(b) | 5,730 | 4,063 |
| TOTAL EQUITY | | 28,626 | 25,982 |

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

| | Notes | Contributed equity \$'000 | Revaluation surplus \$'000 | Retained profits \$'000 | Total \$'000 |
|---|-------|---------------------------------|----------------------------------|-------------------------------|-----------------|
| Balance at 1 July 2013 | | 11,038 | 3,558 | 2,316 | 16,912 |
| Profit for the year | | - | - | 3,166 | 3,166 |
| Revaluation of land and buildings – gross | 12 | - | (301) | - | (301) |
| Income tax relating to components of other comprehensive income | 7(d) | - | 90 | - | 90 |
| Total comprehensive income for the period | | - | (211) | 3,166 | 2,955 |
| Dividend paid to shareholders | 20 | - | - | (1,419) | (1,419) |
| Contributions of equity net of transaction costs | 18 | 7,534 | - | - | 7,534 |
| Balance at 30 June 2014 | | 18,572 | 3,347 | 4,063 | 25,982 |
| Profit for the year | | - | - | 2,298 | 2,298 |
| Revaluation of land and buildings - gross | 12 | - | 510 | - | 510 |
| Income tax relating to components of other comprehensive income | 7(d) | - | (153) | - | (153) |
| Total comprehensive income for the period | | - | 357 | 2,298 | 2,655 |
| Dividend paid to shareholders | 20 | - | - | (631) | (631) |
| Contributions of equity net of transaction costs | 18 | 620 | - | - | 620 |
| Balance at 30 June 2015 | | 19,192 | 3,704 | 5,730 | 28,626 |

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2015

| | Notes | 2015 \$'000 | 2014 \$'000 |
|--|-------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 24,961 | 26,378 |
| Payments to suppliers and employees | | (21,160) | (22,052) |
| Interest received | | 24 | 28 |
| Finance costs | | (779) | (1,528) |
| Income tax paid | | (372) | (152) |
| Net cash inflows from operating activities | 27 | 2,674 | 2,674 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for investment properties | 13 | (66) | (11) |
| Payments for property, plant & equipment | 12 | (995) | (412) |
| Payments for intangible assets | 14 | - | (478) |
| Proceeds from sale of investment property | 13 | 13,150 | - |
| Receipts from held-to-maturity investments | | - | 58 |
| Net cash outflows from investing activities | | 12,089 | (843) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 2,400 | - |
| Repayment of borrowings | | (17,100) | (7,400) |
| Share issue costs | | (15) | (390) |
| Rights issue | | - | 6,388 |
| Net cash outflows from financing activities | | (14,715) | (1,402) |
| Net increase in cash and cash equivalents | | 48 | 429 |
| Cash and cash equivalents at beginning of year | | 1,401 | 972 |
| Cash and cash equivalents at end of year | 8 | 1,449 | 1,401 |

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Changes in Accounting Standards and Regulatory requirements

There are no new or amended Accounting Standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2014 that are considered to have any material impact on the financial position or performance of the group or that would require additional disclosure in the current reporting period. The group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the group or the consolidated entity.

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

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

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

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

1. Summary of significant accounting policies (continued)**(b) Principles of consolidation (continued)**

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

(ii) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

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

1. Summary of significant accounting policies (continued)**(e) Income tax**

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

1. Summary of significant accounting policies (continued)**(f) Leases**

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

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

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

(g) Business combinations

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

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

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

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

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

1. Summary of significant accounting policies (continued)**(j) Trade and other receivables**

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

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

(k) Inventories

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

(l) Investments and other financial assets

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

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

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

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

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

1. Summary of significant accounting policies (continued)**(m) Fair value estimation**

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

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

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

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

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

(n) Property, plant and equipment

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

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

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

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

| | |
|---------------------|------------|
| Buildings | 40 years |
| Plant and equipment | 3-10 years |

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

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

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

(o) Investment properties

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

1. Summary of significant accounting policies (continued)**(p) Intangible assets***(i) Hotel licences*

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

(ii) Gaming authorities

Gaming authorities have an indefinite useful life and are carried at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(h).

(q) Trade and other payables

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

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

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

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

(ii) Other long-term benefit obligations

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

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

(iii) Retirement benefit obligations

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

(s) Borrowings

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

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

1. Summary of significant accounting policies (continued)

(t) Contributed equity

Ordinary shares are classified as equity.

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

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

(u) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(v) Dividends

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

(w) Goods and services tax (GST)

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

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

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

(x) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(y) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

| Standard/Interpretation | Application date of standard | Application date for the group |
|--|------------------------------|--------------------------------|
| AASB 9 <i>Financial Instruments – revised</i> and consequential amendments to other accounting standards resulting from its issue | 1 Jan 2018 | 1 Jul 2018 |
| AASB 15 <i>Revenue from Contracts with Customers</i> and consequential amendments to other accounting standards resulting from its issue | 1 Jan 2018 | 1 Jul 2018 |
| AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB101</i> | 1 Jan 2016 | 1 Jul 2016 |

1. Summary of significant accounting policies (continued)**(y) New accounting standards and interpretations (continued)**

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The group does not expect the new standard to have a material impact on the financial report or on amounts disclosed in the initial period of application. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the group's accounting for financial liabilities, as the group does not have any liabilities at fair value through profit or loss. Recent amendments as part of the project introduced a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. There will be no impact on the group's accounting, as the group does not utilise hedge accounting.

AASB 15 – This new standard replaces AASB 118 and AASB 111. It contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The group is yet to assess the impact of the new standard.

AASB 2015-2 – These amendments to AASB 101 clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of the users. The group does not expect the new standard to have a significant impact on its disclosures.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The group does not intend to adopt any of these pronouncements before their effective dates.

(z) General

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

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

Principal places of business:

- Ashmore Tavern, Cnr of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Aspley Shopping Centre (including Aspley Central Tavern), 1374-1378 Gympie Rd, Aspley Qld 4034
- Aspley Arcade Shopping Centre, 1364-1368 Gympie Rd, Aspley Qld 4034
- Level 15, 10 Market Street, Brisbane Qld 4000

Registered office:

Level 8, 1 Eagle Street, Brisbane Qld 4000

2. Financial risk management

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

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

The group holds the following financial instruments:

| | 2015 \$'000 | 2014 \$'000 |
|------------------------------|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | 1,449 | 1,401 |
| Trade and other receivables* | 211 | 169 |
| | <u>1,660</u> | <u>1,570</u> |
| Financial liabilities | | |
| Trade and other payables** | 2,229 | 2,120 |
| Borrowings** | 9,679 | 24,324 |
| | <u>11,908</u> | <u>26,444</u> |

*Loans and receivables category

** Financial liabilities at amortised cost category

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

(a) Market risk

Currency risk

The group has no exposure to currency risk.

Price risk

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

Interest rate risk

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

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

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

| | 30 June 2015 | | 30 June 2014 | |
|---------------|--------------------------------------|-------------------|--------------------------------------|-------------------|
| | Weighted average interest rate | Balance \$'000 | Weighted average interest rate | Balance \$'000 |
| Bills payable | 3.57% | 9,679 | 4.29% | 24,324 |

Sensitivity

At 30 June 2015, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$68,000 lower/higher (2014 – change of 100 bps: \$171,000 lower/ higher) as a result of a change in interest expense from borrowings.

2. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

As at 30 June 2015, none of the group's debt is payable in the next 12 months (2014: nil).

Maturity of financial liabilities

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

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

| At 30 June 2015 | Less than 6 months | 6-12 months | Between 1-2 years | Between 2-5 years | Total contractual cash flows | Carrying amount |
|--------------------------|--------------------|-------------|-------------------|-------------------|------------------------------|-----------------|
| Non-derivatives | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| Trade and other payables | 2,229 | - | - | - | 2,229 | 2,229 |
| Commercial bills | 174 | 174 | 9,960 | - | 10,308 | 9,679 |
| Total | 2,403 | 174 | 9,960 | - | 12,537 | 11,908 |

| At 30 June 2014 | Less than 6 months | 6-12 months | Between 1-2 years | Between 2-5 years | Total contractual cash flows | Carrying amount |
|--------------------------|--------------------|-------------|-------------------|-------------------|------------------------------|-----------------|
| Non-derivatives | \$'000s | \$'000s | \$'000s | \$'000 | \$'000s | \$'000s |
| Trade and other payables | 2,120 | - | - | - | 2,120 | 2,120 |
| Commercial bills | 448 | 524 | 1,047 | 25,185 | 27,204 | 24,324 |
| Total | 2,568 | 524 | 1,047 | 25,185 | 29,324 | 26,444 |

(d) Fair Value

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

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

3. Critical accounting estimates and judgements

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

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

The group has investment properties with a carrying amount of \$12,600,000 (2014: \$24,400,000), and land and buildings (included in property, plant & equipment) with a carrying amount of \$23,819,000 (2014: \$23,146,000) representing estimated fair value. These carrying amounts are based upon either independent valuations or on directors' valuations. A reconciliation of movements in the carrying value of these assets during the period is disclosed in notes 13 and 12 respectively. Gains recognised on the revaluation of investment properties in the period totalling \$1,322,000 (2014: \$2,430,000) are included within other income in the statement of comprehensive income. Gains on the revaluation of land and buildings in the period totalling \$510,000 (2014: loss of \$301,000) are recognised in the revaluation reserve in equity, net of tax, in accordance with the accounting policy described in note 1(n).

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

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

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

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

Categories of Tangible Assets Measured at Fair Value

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

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

The 30 June 2015 fair value assessment for Aspley Arcade Shopping Centre and the retail component for Aspley Central Shopping Centre were based on directors' internal valuation.

The 30 June 2014 fair value assessment for Bribie Harbour Shopping Village was based upon directors' internal valuation. The 30 June 2014 fair value assessments for Aspley Arcade Shopping Centre and the retail component of the Aspley Shopping Centre were based on independent valuations made by a member of the Australian Property Institute.

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

The June 2015 valuation of land and buildings for Ashmore Tavern was based upon an independent valuation made by members of the Australian Property Institute in May 2015. The June valuation for Aspley Central Tavern was based upon directors' internal valuation.

The June 2014 valuations of land and buildings for the Ashmore Tavern and Aspley Central Tavern were based upon independent valuations made by members of the Australian Property Institute in September 2013 and June 2014 respectively.

3. Critical accounting estimates and judgements (continued)

Significant Inputs and Sensitivity Information

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

- specialty tenancy net market rent (per sqm p.a.) ranging from \$360 to \$794 (2014: \$360 to \$794)
- capitalisation rate for each property of 9.5% (2014: 8.75% to 9.5%) (weighted average of 9.50% (2014: 9.23%))
- discount rates ranging from 10% to 10.25% (2014: 9.75% to 10.25%) (weighted average of 10.15% (2014: 9.96%))
- perpetual vacancy rates ranging from 2.5% to 3.6% (2014: 2.5% to 5%) (weighted average of 3.02% (2014: 3.68%))
- assumed lease term of 5 years (2014: 5 years)

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

- capitalisation rates applied to market EBITDAR ranging from 11% to 11.5% (2014: 11.5% for both properties)
- market EBITDAR of \$1,551,000 for the Ashmore Tavern (2014: \$1,530,000) and \$805,000 for Aspley Central Tavern (2014: \$805,000)
- market rent percentages ranging from 42% to 55% (2014: 42% to 55%)

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

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

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

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

3. Critical accounting estimates and judgements (continued)

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

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

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

4. Segment information**Description of segments**

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

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

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

Reportable segments*Hotel operations*

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

Investment property operations

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

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

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

Inter-segment transactions

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

Segment assets and liabilities

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

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

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

Unallocated items

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

Notes to the financial statements

For the year ended 30 June 2015

(continued)

4. Segment information (continued)

| | Hotel operations | Investment Property operations | Total |
|--|---------------------|--------------------------------------|---------|
| | \$'000 | \$'000 | \$'000 |
| 2015 | | | |
| Revenue | | | |
| Total sales revenue | 18,607 | 3,334 | 21,941 |
| Other revenue | 479 | - | 479 |
| Total segment revenue | 19,086 | 3,334 | 22,420 |
| Interest revenue | | | 24 |
| Total revenue | | | 22,444 |
| Results | | | |
| Segment results | 1,447 | 2,355 | 3,802 |
| Finance expenses | | | (834) |
| Unallocated revenue less unallocated expenses | | | (1,101) |
| Reversal of impairment loss | | | 50 |
| Fair value adjustment on investment properties | | | 1,322 |
| Profit before income tax | | | 3,239 |
| Income tax expense | | | (941) |
| Profit for the year | | | 2,298 |
| Assets | | | |
| Segment assets | 12,885 | 28,220 | 41,105 |
| Unallocated assets | | | 401 |
| Total assets | | | 41,506 |
| Depreciation and amortisation | 527 | 259 | 786 |
| Unallocated | | | 3 |
| Total depreciation and amortisation | | | 789 |

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

Notes to the financial statements

For the year ended 30 June 2015

(continued)

4. Segment information (continued)

| | Hotel operations | Investment Property Operations | Total |
|--|---------------------|--------------------------------------|---------------|
| 2014 | \$'000 | \$'000 | \$'000 |
| Revenue | | | |
| Total sales revenue | 19,216 | 3,884 | 23,100 |
| Other revenue | 489 | - | 489 |
| Total segment revenue | 19,705 | 3,884 | 23,589 |
| Interest revenue | | | 28 |
| Total revenue | | | 23,617 |
| Results | | | |
| Segment results | 1,476 | 2,963 | 4,439 |
| Finance expenses | | | (1,512) |
| Unallocated revenue less unallocated expenses | | | (983) |
| Fair value adjustment on investment properties | | | 2,430 |
| Profit before income tax | | | 4,374 |
| Income tax expense | | | (1,208) |
| Profit for the year | | | 3,166 |
| Assets | | | |
| Segment assets | 13,172 | 39,168 | 52,340 |
| Tax asset | | | 184 |
| Unallocated assets | | | 364 |
| Total assets | | | 52,888 |
| Depreciation and amortisation | 507 | - | 507 |
| Unallocated | | | 6 |
| Total depreciation and amortisation | | | 513 |

5. Revenue

| | 2015 \$'000 | 2014 \$'000 |
|---|------------------------------|------------------------------|
| Sale of goods | 12,457 | 13,157 |
| Gaming revenue | 6,150 | 6,059 |
| Rental income and recoveries from investment properties | 3,334 | 3,884 |
| | 21,941 | 23,100 |
| Interest | 24 | 28 |
| Commissions | 265 | 292 |
| Other | 214 | 197 |
| Total revenue | 22,444 | 23,617 |

Notes to the financial statements

For the year ended 30 June 2015

(continued)

6. Expenses

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Profit before income tax includes the following specific expenses: | | |
| Cost of goods sold | 8,762 | 9,281 |
| Depreciation | | |
| - Buildings | 386 | 118 |
| - Plant and equipment | 402 | 393 |
| Total depreciation | <u>788</u> | <u>511</u> |
| Amortisation – intangibles | 1 | 2 |
| Finance costs | | |
| - Interest and finance charges paid/payable | 834 | 1,512 |
| Operating lease rentals – minimum lease payments | 356 | 334 |
| Defined contribution superannuation expense | 273 | 287 |

7. Income tax**(a) Income tax expense/(benefit)**

| | | |
|--|------------|--------------|
| Current tax | 506 | 312 |
| Deferred tax | 454 | 963 |
| Over provision in prior years (deferred tax) | - | (54) |
| Over provision in prior years (current tax) | (19) | (13) |
| | <u>941</u> | <u>1,208</u> |

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

| | | |
|---|--------------|--------------|
| Profit before income tax - continuing operations | <u>3,239</u> | <u>4,374</u> |
| Income tax at the Australian tax rate of 30% (2014: 30%) | 972 | 1,312 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-taxable items | (12) | (11) |
| Over provision in prior years (current and deferred tax) | (19) | (93) |
| Income tax expense | <u>941</u> | <u>1,208</u> |

Notes to the financial statements

For the year ended 30 June 2015

(continued)

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

| | 2015 \$'000 | 2014 \$'000 |
|---------------------------------------|----------------|----------------|
| Investment properties | (36) | 932 |
| Property, plant and equipment | (968) | (963) |
| Employee benefits | 92 | 88 |
| Accrued expenses | 20 | 20 |
| Sundry items | 78 | 107 |
| Tax losses | 395 | - |
| Net deferred tax assets/(liabilities) | <u>(419)</u> | <u>184</u> |

Movement in deferred tax:

| | | |
|--|--------------|------------|
| At 1 July | 184 | 886 |
| Charged to profit or loss | (454) | (902) |
| Over provision in prior years | - | 54 |
| Credited to equity | 4 | 117 |
| Charged/credited to other comprehensive income | (153) | 90 |
| Tax losses utilised | - | (61) |
| At 30 June | <u>(419)</u> | <u>184</u> |

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

| | | |
|--|-------|----|
| (Gain)/loss on revaluation of land and buildings | (153) | 90 |
|--|-------|----|

(e) Amounts relating to items recognised directly in equity

| | | |
|-------------------|---|-----|
| Share issue costs | 4 | 117 |
|-------------------|---|-----|

(f) Tax consolidation legislation

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

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

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

(g) Franking credits

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%) | <u>797</u> | <u>740</u> |

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

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

Notes to the financial statements

For the year ended 30 June 2015

(continued)

| 8. Cash and cash equivalents | 2015 | 2014 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at bank and in hand | 1,449 | 1,401 |

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

9. Trade and other receivables

| | | |
|-------------------|------------|------------|
| Trade receivables | 111 | 76 |
| Other receivables | 100 | 93 |
| | <u>211</u> | <u>169</u> |

Impaired trade receivables

The group has no impaired receivables as at 30 June 2015 (2014: \$nil).

Past due but not impaired

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

Fair value and credit risk

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

10. Inventories

| | | |
|----------------------------------|--------------|--------------|
| Finished goods – at cost | 1,197 | 1,397 |
| Land held for resale (Home Hill) | 250 | 200 |
| | <u>1,447</u> | <u>1,597</u> |

Inventories recognised as expense during the period ended 30 June 2015 amounted to \$8,762,000 (2014: \$9,281,000).

Reversal of previous write-downs of inventories to net realisable value during the year amounted to \$50,000 (2014: \$Nil) in respect of the Home Hill land for resale based on an updated assessment of the valuation of the property performed as at 30 June 2015.

11. Other current assets

| | | |
|---------------------|------------|------------|
| Short term deposits | 92 | 40 |
| Prepayments | 303 | 332 |
| | <u>395</u> | <u>372</u> |

Notes to the financial statements

For the year ended 30 June 2015

(continued)

12. Property, plant and equipment

| | Freehold land \$'000 | Buildings \$'000 | Plant and equipment \$'000 | Total \$'000 |
|-------------------------------------|----------------------------|---------------------|----------------------------------|-----------------|
| Year ended 30 June 2014 | | | | |
| Opening net book amount | 4,660 | 4,200 | 1,057 | 9,917 |
| Revaluation increment / (decrement) | (660) | 359 | - | (301) |
| Additions | - | 5 | 407 | 412 |
| Transfers from investment property | 4,400 | 10,300 | - | 14,700 |
| Depreciation charge | - | (118) | (393) | (511) |
| Closing net book amount | 8,400 | 14,746 | 1,071 | 24,217 |
| At 30 June 2014 | | | | |
| Cost or fair value | 8,400 | 14,805 | 1,900 | 25,105 |
| Accumulated depreciation | - | (59) | (829) | (888) |
| Net book amount | 8,400 | 14,746 | 1,071 | 24,217 |
| Year ended 30 June 2015 | | | | |
| Opening net book amount | 8,400 | 14,746 | 1,071 | 24,217 |
| Revaluation increment / (decrement) | (50) | 560 | - | 510 |
| Additions | - | 626 | 369 | 995 |
| Straight-line adjustments | - | (77) | - | (77) |
| Depreciation charge | - | (386) | (402) | (788) |
| Closing net book amount | 8,350 | 15,469 | 1,038 | 24,857 |
| At 30 June 2015 | | | | |
| Cost or fair value | 8,350 | 15,469 | 2,075 | 25,894 |
| Accumulated depreciation | - | - | (1,037) | (1,037) |
| Net book amount | 8,350 | 15,469 | 1,038 | 24,857 |

Reclassification of Property

The tavern at Aspley was operated by the group as landlord in possession from March 2013 until June 2014 when the directors concluded that the group would not seek to re-let the management rights. Since then the tavern has been operated and managed by the group trading as Aspley Central Tavern.

Under Australian Accounting Standards, where an investment property comprises a portion that is held to earn rentals or for capital appreciation, and another portion that is held for use in the production or supply of goods or services, and these portions cannot be sold separately, the property is classified as property, plant & equipment unless the operations are not significant.

The tavern represents approximately 30% of the gross lettable area of the Aspley Shopping Centre property. As such, the property was reclassified as property, plant and equipment at 30 June 2014.

(a) Valuation of land and buildings

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

(b) Non-current assets pledged as security

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

(c) Contractual obligations

At 30 June 2015, there was a contractual obligation to Austruct Pty Ltd for the redevelopment of Aspley Central Tavern. The amount still to be recognised under this contract was \$268,000. There were no other contractual obligations to purchase, construct or develop property or for repairs, maintenance or enhancement as at 30 June 2015. (2014: Nil)

Notes to the financial statements

For the year ended 30 June 2015

(continued)

12. Property, plant and equipment (continued)

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

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

| | 2015 \$'000 | 2014 \$'000 |
|--------------------------|----------------|----------------|
| Freehold land | | |
| Cost or deemed cost | 7,426 | 7,426 |
| Net book amount | 7,426 | 7,426 |
| Buildings | | |
| Cost or deemed cost | 12,844 | 12,218 |
| Accumulated depreciation | (912) | (606) |
| Net book amount | 11,932 | 11,612 |

13. Investment properties

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| At fair value | | |
| At beginning of year | 24,400 | 36,650 |
| Capitalised subsequent expenditure | 66 | 11 |
| Straight line rentals | (38) | 9 |
| Net gain from fair value adjustment | 1,322 | 2,430 |
| Sale of investment property – Bribie Harbour Shopping Village | (13,150) | - |
| Transfers to property, plant and equipment (Note 12) | - | (14,700) |
| At end of year | 12,600 | 24,400 |

(a) Valuation basis

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

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

| Property | Acquisition Date | Cost Including Additions* \$000's | Last Independent Valuation | | Book Value | |
|----------------------------------|------------------|--------------------------------------|----------------------------|---------|-----------------|-----------------|
| | | | Date | \$000's | 2015 \$000's | 2014 \$000's |
| Bribie Harbour Shopping Village# | Nov 2005 | 16,459 | June 2013 | 11,800 | - | 11,800 |
| Aspley Arcade Shopping Centre | Jun 2007 | 13,000 | Feb 2014 | 12,600 | 12,600 | 12,600 |
| | | | | | 12,600 | 24,400 |

* excluding acquisition costs

Bribie Harbour Shopping Village was sold on 10 February 2015.

(b) Sale of investment property

At 31 December 2014 the carrying value of Bribie Harbour Shopping Village was increased to \$13,150,000 to reflect the property's fair value as assessed by the directors. The property was sold on 10 February 2015 for \$13,150,000. Sale transaction costs of \$172,000 were expensed separately.

(c) Leasing arrangements

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

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Within one year | 2,162 | 3,161 |
| Later than one year but not later than five years | 4,915 | 9,117 |
| Later than five years | 775 | 4,002 |
| Total | 7,852 | 16,280 |

Leasing arrangements for the prior period included Bribie Harbour Shopping Village operating leases of \$7,864,000.

Notes to the financial statements

For the year ended 30 June 2015

(continued)

| | | |
|---|---------------|---------------|
| 13. Investment Properties (continued) | 2015 | 2014 |
| | \$'000 | \$'000 |
| (e) Amounts recognised in profit or loss for investment properties | | |
| Rental income and recoveries from investment properties | 3,334 | 3,884 |
| Direct operating expenses from properties that generated rental income | (807) | (921) |
| | 2,527 | 2,963 |

(d) Non-current assets pledged as security

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

14. Intangible assets

| | | |
|-----------------------------------|------|------|
| Gaming authorities at cost | 478 | 478 |
| Hotel licenses at cost | 104 | 104 |
| Accumulated amortisation | (35) | (34) |
| Net carrying value | 69 | 70 |
| Net carrying value of intangibles | 547 | 548 |

| | Hotel Licences \$'000 | Gaming Authorities \$'000 | Total \$'000 |
|--------------------------------|----------------------------------|--------------------------------------|-------------------------|
| Year ended 30 June 2014 | | | |
| Opening net book amount | 72 | - | 72 |
| Additions | - | 478 | 478 |
| Amortisation charge | (2) | - | (2) |
| Closing net book amount | 70 | 478 | 548 |
| Year ended 30 June 2015 | | | |
| Opening net book amount | 70 | 478 | 548 |
| Amortisation charge | (1) | - | (1) |
| Closing net book amount | 69 | 478 | 547 |

15. Trade and other payables

| | | |
|-----------------------------|-------|-------|
| Trade payables | 1,627 | 1,616 |
| Other payables and accruals | 602 | 504 |
| | 2,229 | 2,120 |

16. Current liabilities – Provisions

| | | |
|-------------------|-----|-----|
| Employee benefits | 306 | 294 |
|-------------------|-----|-----|

17. Non-current liabilities – Borrowings

| | | |
|----------------------------|-------|--------|
| Commercial bills – secured | 9,679 | 24,324 |
|----------------------------|-------|--------|

(a) Assets pledged as security

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

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

As such all assets are pledged as security for borrowings.

Notes to the financial statements

For the year ended 30 June 2015

(continued)

17. Non-current liabilities – Borrowings (continued)

(b) Financing arrangements

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

| Credit standby arrangements | 2015 \$'000 | 2014 \$'000 |
|------------------------------|----------------|----------------|
| Total facilities | | |
| Bank overdraft | 100 | 100 |
| Finance lease liabilities | 400 | 400 |
| Commercial bill facilities | 16,000 | 34,000 |
| | <u>16,500</u> | <u>34,500</u> |
| Used at balance date | | |
| Bank overdraft | - | - |
| Finance lease liabilities | - | - |
| Commercial bill facilities * | 9,700 | 24,400 |
| | <u>9,700</u> | <u>24,400</u> |
| Unused at balance date | | |
| Bank overdraft | 100 | 100 |
| Finance lease liabilities | 400 | 400 |
| Commercial bill facilities | 6,300 | 9,600 |
| | <u>6,800</u> | <u>10,100</u> |

* Used at balance date comprises the face value of bills drawn. The amount recognised in the statement of financial position is net of discounts and other transaction costs.

Bank overdraft

Standby funds provided by the group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2014: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

Commercial bills

The facilities are subject to annual review. Interest is at variable rates. All the commercial bills expire on 31 March 2017. Further details are outlined below.

| Amount drawn (Face Value) | | Interest rate | | Repayment terms |
|------------------------------|----------------|---------------|-----------|----------------------------|
| 2015 \$'000 | 2014 \$'000 | 2015 % | 2014 % | |
| 2,600 | 9,000 | 3.56 | 4.29 | Interest only until expiry |
| 2,300 | 11,900 | 3.58 | 4.29 | Interest only until expiry |
| 2,400 | 3,500 | 3.57 | 4.29 | Interest only until expiry |
| 2,400 | - | 3.56 | - | Interest only until expiry |
| <u>9,700</u> | <u>24,400</u> | | | |

Finance lease liabilities

The group has a lease finance facility of \$400,000 (2014: \$400,000) which may only be used to finance plant and equipment. Where applicable, the leases are repayable in fixed monthly instalments of principal and interest over the term of the respective leases.

Notes to the financial statements

For the year ended 30 June 2015

(continued)

18. Contributed equity

| | 2015 | 2014 | 2015 | 2014 |
|----------------------------|---------------------|---------------------|--------|--------|
| | Number of shares | Number of shares | \$'000 | \$'000 |
| Share capital | | | | |
| Fully paid ordinary shares | 328,464,734 | 315,443,579 | 19,192 | 18,572 |

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value of shares. Accordingly the parent does not have authorised capital or par value in respect of its issued shares.

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

Movements in share capital

| | Number of Shares | Issue Price ¢ | \$'000 |
|---|---------------------|------------------|--------|
| Balance at 30 June 2013 | 141,949,690 | | 11,038 |
| Shares issued under Rights Issue | 141,949,690 | 4.5 | 6,388 |
| Shares issued under the DRP and associated underwriting | 31,544,199 | 4.5 | 1,419 |
| Share issue costs (net of tax) | - | - | (273) |
| Balance at 30 June 2014 | 315,443,579 | | 18,572 |
| Shares issued under the DRP and associated underwriting | 13,021,155 | 4.845 | 631 |
| Share issue costs (net of tax) | - | - | (11) |
| Balance at 30 June 2015 | 328,464,734 | | 19,192 |

On 27 March 2015, the company issued 13,021,155 ordinary shares at a price of 4.845 cents per share under a fully underwritten Dividend Reinvestment Plan (DRP), in connection with a special dividend announced on 6 February 2015.

In the 2014 financial year, the company issued 141,949,690 ordinary shares following the completion of a fully underwritten 1:1 rights issue and 31,544,109 ordinary shares under a fully underwritten DRP.

Options

As at 30 June 2015, there were no options to purchase ordinary shares in the parent entity (2014: Nil).

Capital risk management

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

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

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

The gearing ratios as at 30 June 2015 and 30 June 2014 were as follows:

| | 2015 \$'000 | 2014 \$'000 |
|---------------------------------|----------------|----------------|
| Total borrowings | 11,908 | 26,444 |
| Less: cash and cash equivalents | (1,449) | (1,401) |
| Net debt | 10,459 | 25,043 |
| Total equity | 28,626 | 25,982 |
| Total capital | 39,085 | 51,025 |
| Gearing ratio | 26.76% | 49.08% |

Eumundi Group Limited has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 financial years.

Notes to the financial statements

For the year ended 30 June 2015

(continued)

19. Reserves and retained profits

| (a) Reserves | 2015 | 2014 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Property, plant and equipment revaluation surplus | 3,704 | 3,347 |

Movements in reserves:

| <i>Property, plant and equipment revaluation surplus</i> | | |
|--|-------|-------|
| Balance at the beginning of the year | 3,347 | 3,558 |
| Gain/(loss) on revaluation of freehold land and buildings (net of tax) * | 357 | (211) |
| Balance at the end of the year | 3,704 | 3,347 |

* Gross gain before tax of \$510,000 (2014: loss of \$301,000)

(b) Retained profits

| | | |
|---|-------|---------|
| Retained profits at the beginning of the year | 4,063 | 2,316 |
| Profit for the year attributable to owners of the company | 2,298 | 3,166 |
| Dividend paid to shareholders | (631) | (1,419) |
| Retained profits at the end of the year | 5,730 | 4,063 |

(c) Nature and purpose of reserves**(i) Property, plant and equipment revaluation surplus**

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

(ii) Available-for-sale asset revaluation surplus

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

20. Dividends

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

| | | |
|---|-----|-------|
| Fully franked (at 30%) dividend of 0.2 cents per fully paid ordinary share paid on 27 March 2015 (2014: 0.5 cents) (see note 18) | 631 | 1,419 |
| | 631 | 1,419 |
| Proposed final fully franked (at 30%) dividend of 0.3 cents per fully paid ordinary share payable on 19 October 2015, but not recognised as a liability | 985 | - |

21. Parent entity financial information

(a) Summary financial information

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

| | 2015 | 2014 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Balance sheet | | |
| Current assets | - | - |
| Total assets | 20,480 | 19,393 |
| Current liabilities | 247 | 168 |
| Total liabilities | 247 | 168 |
| <i>Shareholders' equity</i> | | |
| Issued capital | 19,192 | 18,572 |
| Retained earnings | 1,041 | 653 |
| | 20,233 | 19,225 |
| | | |
| Profit for the year | 1,019 | 1,536 |
| | | |
| Total comprehensive income | 1,019 | 1,536 |

(b) Guarantees entered into by the parent entity

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

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

(c) Contingent assets and liabilities of the parent entity

The individual parent entity had no contingent assets or liabilities.

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

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

22. Related party information

(a) Key management personnel remuneration

| | 2015 | 2014 |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| Short-term employee benefits | 338,018 | 508,123 |
| Long-term benefits | 3,468 | 3,468 |
| Post-employment benefits | 25,798 | 34,667 |
| | 367,284 | 546,258 |

(b) Transactions with related parties

| | | |
|--|---------|-----------|
| Dividends paid to key management personnel | 299,850 | 674,663 |
| Subscription for new ordinary shares by key management personnel as a result of: | | |
| - the rights issue, including underwriting allocation (note 18) | - | 3,471,476 |
| - the reinvestment of dividends (note 18) | 299,850 | 674,663 |

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

J M Ganim and G De Luca or their related entities acted as sub-underwriters of the rights issue undertaken during the 2014 financial year. These parties did not receive a fee from the Company in connection with this transaction.

During the year, the group received architectural services from a related entity of G De Luca to the value of \$6,480 (2014: \$5,000). A total of \$540 was owing to the related party as at 30 June 2015 (30 June 2014: \$Nil).

Notes to the financial statements

For the year ended 30 June 2015

(continued)

23. Auditor's remuneration

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

| | 2015 \$ | 2014 \$ |
|---------------------------------------|---------------|---------------|
| Audit and review of financial reports | 60,000 | 60,000 |
| Tax compliance services | 8,150 | 7,600 |
| | <u>68,150</u> | <u>67,600</u> |

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

24. Contingent liabilities

The group has no material contingencies.

25. Commitments

Operating leases

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

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Commitments for minimum lease payments under non-cancellable operating leases are payable as follows: | | |
| Within one year | 193 | 245 |
| Later than one year but not later than five years | 288 | 461 |
| Greater than five years | - | - |
| | <u>481</u> | <u>706</u> |

26. Subsidiaries

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

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

| Name of entity | Country of incorporation | Class of shares | Equity holding* | |
|-----------------------------------|--------------------------|-----------------|-----------------|------|
| | | | 2015 | 2014 |
| Eumundi Property Group Pty Ltd | Australia | Ordinary | 100% | 100% |
| Eumundi Group Hotels Pty Ltd | Australia | Ordinary | 100% | 100% |
| Airlie Beach Lagoon Hotel Pty Ltd | Australia | Ordinary | 100% | 100% |

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

Notes to the financial statements

For the year ended 30 June 2015

(continued)

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

| | 2015 | 2014 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Profit for the year | 2,298 | 3,166 |
| Depreciation and amortisation | 789 | 513 |
| Straight line rental adjustment | 115 | (9) |
| Net gain on fair value adjustment of investment properties | (1,322) | (2,430) |
| Reversal of impairment loss | (50) | - |
| Changes in operating assets and liabilities (net of assets disposed): | | |
| (Increase)/decrease in: | | |
| Trade receivables | (35) | 232 |
| Other receivables | (7) | (6) |
| Inventories | 200 | (5) |
| Other current assets | (23) | (10) |
| Prepaid interest | 55 | (15) |
| Increase/(decrease) in: | | |
| Trade and other payables | 109 | 175 |
| Income tax payable | 79 | 102 |
| Deferred tax asset/liability* | 454 | 909 |
| Employee benefits | 12 | 52 |
| Cash flows from operating activities | <u>2,674</u> | <u>2,674</u> |

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

28. Non-cash investing and financing activities

During the year share issues were made under a fully underwritten dividend reinvestment plan, as disclosed in note 18.

29. Earnings per share

| | | |
|---|-------------------------|-------------|
| (a) Basic & diluted earnings per share | 2015 | 2014 |
| Total basic & diluted earnings per share attributable to owners of the company | 0.7¢ | 1.4¢ |
| (b) Weighted average number of shares used as the denominator | Number of shares | |
| | 2015 | 2014 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 318,868,321 | 231,656,707 |
| Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share | 318,868,321 | 231,656,707 |

There are no dilutive potential ordinary shares.

Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date, and
- (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards, and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2015 required by section 295A of the *Corporations Act 2001*.

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



J M Ganim
Director

Dated at Brisbane this 31st day of August, 2015.



PITCHER PARTNERS

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MARK NICHOLSON
PETER CAMENZULI
JASON EVANS
IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN

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

Report on the Financial Report

We have audited the accompanying financial report of Eumundi Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes 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 1(a), the directors also state, in accordance with Accounting Standard AASB101 *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 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*.

Opinion

In our opinion:

- a) the financial report of Eumundi Group 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 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 Eumundi Group Limited for the year ended 30 June 2015 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS



R.C.N. WALKER
Partner

Brisbane, Queensland
31 August 2015

Shareholder information

The shareholder information below was applicable as at 14 August 2015.

A. Distribution of Equity Securities

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

| Ordinary Shares | |
|---------------------|--------------|
| 1 – 1,000 | 106 |
| 1,001 – 5,000 | 428 |
| 5,001 – 10,000 | 211 |
| 10,001 – 50,000 | 197 |
| 50,001 – 100,000 | 27 |
| 100,001 – 500,000 | 73 |
| 500,001 – 1,000,000 | 5 |
| 1,000,001 and over | 45 |
| | 1,092 |

There are 616 shareholders who hold less than a marketable parcel of ordinary shares in the company.

B. Equity security holders

Twenty largest quoted equity security holders:

| | Number held | Percentage |
|---|--------------------|--------------|
| 1. De Luca Group Superannuation Fund | 54,705,056 | 16.65 |
| 2. Ganboys Pty Ltd | 25,371,750 | 7.72 |
| 3. Gansons Pty Ltd | 21,501,650 | 6.55 |
| 4. Ganbros Pty Ltd | 20,080,486 | 6.11 |
| 5. SCMS Pty Ltd – SJ Shoobridge S/F Account | 17,621,404 | 5.36 |
| 6. Agpro Pty Ltd – Joe Ganim Super Fund | 17,233,079 | 5.25 |
| 7. Wilhelm Super Fund Account | 13,585,702 | 4.14 |
| 8. Blann Properties Pty Ltd | 12,500,000 | 3.81 |
| 9. Mrs. Tracy Fraser | 12,460,094 | 3.79 |
| 10. Mrs. Tracy Fraser A/C | 11,177,976 | 3.40 |
| 11. JP Morgan Nominees Australia Limited | 5,806,206 | 1.77 |
| 12. Mr. Robert Fraser and Mrs Tracy Fraser – Fraser Family SF A/C | 5,498,397 | 1.67 |
| 13. Mr Paul Ganim and Mrs Alison Ganim | 5,172,487 | 1.57 |
| 14. Ruminator Pty Ltd | 5,143,298 | 1.57 |
| 15. Atkone Pty Ltd | 5,018,345 | 1.53 |
| 16. Mr Joseph Ganim | 4,603,844 | 1.40 |
| 17. Keiser Shipping and Transport Pty Ltd | 4,503,400 | 1.37 |
| 18. Keiser Investments Pty Ltd – Gann Family Retirement Account | 4,456,648 | 1.36 |
| 19. Archer Management Pty Ltd – Archer Super Fund | 3,498,608 | 1.07 |
| 20. Rogand Superannuation Pty Ltd | 3,058,184 | 0.93 |
| Total | 252,996,614 | 77.02 |

C. Substantial holders

Substantial holders in the company are set out below:

| | Number held | Percentage |
|--|-------------|------------|
| De Luca Group Superannuation Fund | 54,705,056 | 16.65 |
| Tracy Fraser | 29,136,467 | 8.87 |
| Ganboys Pty Ltd | 25,371,750 | 7.72 |
| Gansons Pty Ltd | 21,501,650 | 6.55 |
| Ganbros Pty Ltd | 20,080,486 | 6.11 |
| SCMS Pty Ltd – SJ Shoobridge S/F Account | 17,621,404 | 5.36 |
| Agpro Pty Ltd – Joe Ganim Super Fund | 17,233,079 | 5.25 |

D. Voting rights

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

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