

EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2016

Chairman's message

I am pleased to report to shareholders a statutory net profit of \$1,976,000 for the 2016 financial year. Excluding a net gain on fair value adjustment of investment properties, the Group's net profit after tax increased by 1% to \$1,382,000 compared with \$1,373,000 in the previous corresponding period.

Our stated objective for the 2016 year was to remain firmly focused on the further development of the Group's quality property and hotel operations, while looking to take advantage of any acquisition expansion opportunities of complementary hotel businesses. I am pleased to report that the Group made substantial progress towards these goals during 2016, but remains patient in the pursuit of the right acquisition opportunity in the prevailing atmosphere of a sellers' market dictating expectations of unsustainable and unrealistic cap rates.

The Aspley Central Tavern redevelopment completed in late July 2015, having commenced in April 2015, and delivered an enhanced gaming room, bar and bistro facilities. After being closed for four months, re-opening the bistro was effectively commencing a new business including recruitment and training of staff, menu creation and establishment of clientele. The investment is proving worthwhile with bar and bistro revenues increasing by more than 26% compared with the pre-closure results.

Significant improvements were made to the gaming room, enhancing customer comfort with the inclusion of a bar and coffee station and an upgrade to more than two thirds of the gaming machines during the course of the year. Implementation of a gaming loyalty program was completed in May 2016 and this will be expanded to incorporate all venue operations in the coming months. As a result, as at 30 June 2016, gaming revenues had increased by approximately 23% compared with pre-refurbishment levels and they continue to improve.

As expected there are increased costs attributable to servicing the expanded tavern. However, the contribution from Aspley Central Tavern is strong and the Board remains confident of the continued future profitable growth of this asset.

Ashmore Tavern continued to perform well through the year with gaming revenues up 24% compared with the prior period, in part attributed to approval late last year of extended trading hours at the venue. The Ashmore Tavern gaming room is considered one of the best on the Gold Coast with exceptional staff and 45 of the latest gaming machines continuing to deliver strong returns. Gross profit from bar and bistro has improved by almost 14% over the prior comparative period with the introduction of all day dining and by maintaining good quality, affordable meals.

After refurbishment of the Ashmore discount liquor barn in February 2016, projected retail recovery has not been achieved and turnover across the retail network continues to suffer amidst continued strong competition. The Group's outlets are well presented to meet this challenge but the Group is assessing all options in regard to this area of the business to deliver an appropriate return on investment in the year ahead.

During the year the Group's property assets were reviewed to assess the impact of recent changes to the relevant town plans.

The consolidated Aspley property was previously classified under the 2000 Brisbane City Council, Aspley District Local Plan as Multi Purpose Centre 3 (MP 3) which allowed a maximum building height of two storeys for non-residential and three storeys for residential developments. The new 2015 Brisbane City Council, Aspley District Neighbourhood Plan applies a revised classification, District Centre 1 (DC1). This allows four storey development with scope for higher, code assessable development due to the 15,158² metre site's unique island position between the major arterial roads, Gympie Road and Gayford Street.

During this year, retail leasing has been relatively static and the Group focused on securing the optimal tenancy mix to deliver strong and reliable passing income, while structuring leases to provide flexibility for the appropriate window in the construction/ development cycle. Further investment in upgrading these properties is being considered which will support an improved longer term leasing outcome pending redevelopment.

Similarly, the Ashmore property has been designated Centre Zone under the Gold Coast City Plan, allowing construction of up to nine storeys of residential development. The current use of the property remains the highest and best at this time, but the planning change provides significant opportunities for the future of this prime 8,944² metre site.

The Group's cash flows remain strong, with substantial high quality assets and minimal debt. The Group's gearing ratio (net debt to total equity) declined from 29% at 30 June 2015 to 23% at 30 June 2016.

Although negotiations this year concerning a potential acquisition did not result in an agreement, the Group will maintain patience against the temptation to do a deal where all boxes are not satisfactorily ticked. With cap rates at a record low, it is now a sellers' market and the Group is moderately geared to take advantage of opportunities that will eventuate when the market turns. The Group remains in an excellent position to secure new assets where they will add strategic value and to undertake further income enhancing works to the existing portfolio.

Shareholders received fully franked dividends of 0.52 cents during the year - a fully franked final 2015 dividend of 0.3 cents per share and a fully franked interim dividend of 0.22 cents per share. The Dividend Reinvestment Plan (DRP) was used on each occasion. The DRP provides shareholders with the ability to reinvest the cash dividend in additional shares in the company, according to their individual preferences, while the Group retains its available facilities for future business opportunities. Once again the DRP was exceptionally well received, with over 88% of shareholders participating in the plan and reinvesting their dividends on each occasion.

A fully franked final dividend of 0.33 cents per share has been declared in respect of the 2016 financial year and it will be paid to shareholders on 14 October 2016. This represents a 10% increase in the final dividend compared with last year. Once again shareholders will have the ability to reinvest their dividend in additional shares should they wish.

In summary, the Group completed major capital improvements to its operations during the year while at the same time reducing debt and increasing dividends to shareholders. This provides the scope for further initiatives to enhance shareholder value in the future.

I would like to thank our CEO, Suzanne Jacobi-Lee, for her dedication and loyalty, and our 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. Their 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 Marie Jacobi-Lee
Company secretary	Leni Pia Stanley
Notice of annual general meeting	The annual general meeting of Eumundi Group Limited will be held: at HopgoodGanim Lawyers Level 7, 1 Eagle Street Brisbane Qld 4000 time 11:00am date Friday 18 th November 2016
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 (ASX code: EBG)
Web site address	www.eumundigroup.com.au

Directors' report

Your directors present their report on the consolidated entity (referred hereafter as the group) consisting of Eumundi Group Limited and its controlled entities for the year ended 30 June 2016.

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 24 February 2016 the board declared a fully franked interim dividend of \$755,000 (0.22 cents per share) which was paid to shareholders on 15 March 2016 (2015: \$631,000 (0.2 cents per share)). The board has declared a fully franked final dividend of \$1,169,000 (0.33 cents per share) (2015: \$985,000 (0.3 cents per share)) which will be paid to shareholders on 14 October 2016.

4. Review of operations

Financial Results

Eumundi Group Limited recorded a profit after tax of \$1,976,000 for the year ended 30 June 2016 (2015: \$2,298,000).

The current year profit includes a fair value increment on revaluation of investment properties of \$848,000 attributable to the Aspley Arcade Shopping Centre. The prior year profit included 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.

Revenue from continuing operations of \$23,139,000 represents an increase of 3.0% compared with \$22,444,000 for the prior year.

Investment property revenues decreased by \$856,000 from \$3,334,000 in 2015 to \$2,478,000 in the current year due predominantly to the loss of Bribie Harbour Shopping Village revenues of \$724,000 in the prior year as a result of the sale of the property in February 2015.

Hotel segment revenues increased from \$19,086,000 in 2015 to \$20,651,000 in the current year. Gaming room upgrades were undertaken at both hotels, and a customer loyalty system was implemented at Aspley Central Tavern during the year. Combined with the extended trading hours at Ashmore Tavern, these initiatives resulted in significant increases in gaming income of \$1,422,000. Bar and bistro revenues increased by \$528,000 compared with the prior year, offsetting the decline in Gold Coast retail liquor sales of \$495,000. Renovation of Aspley Central Tavern was completed in August 2015 and anticipated revenue growth is being achieved. During February 2016 the Ashmore Tavern discount liquor barn was closed while renovations were undertaken. No improvement has been realised in the retail liquor operation at this time. Cost of sales and operating costs increased in line with turnover.

Employee costs increased \$362,000 from \$3,609,000 in 2015 to \$3,971,000 in the current year. Additional employee costs of approximately \$200,000 were incurred in the 2016 year by comparison with the prior year. This was due to minimal staffing required during Aspley Central Tavern's redevelopment in the previous period combined with higher ongoing levels required for the expanded refurbished venue. Extended trading hours at the Ashmore Tavern since November 2015 resulted in employee cost increases of \$27,000 compared with the prior period. Sick leave entitlements for long term staff of \$74,000 were recognised in the current year.

The hotel segment result of \$1,766,000 was an increase of \$319,000 compared with the prior year's result of \$1,447,000.

Financing costs were \$355,000 in 2016 compared with \$834,000 in the previous year due to debt reduction of \$14,700,000 following the sale of the Bribie Harbour Shopping Village in February 2015, repayment of debt from operating cash flows, and lower interest rates.

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

Net assets at 30 June 2016 were \$31,935,000, an increase of 11.6% from \$28,626,000 at 30 June 2015.

Total borrowings decreased from \$9,679,000 at 30 June 2015 to \$8,734,000 at 30 June 2016 and surplus debt facility capacity was surrendered to reduce unnecessary costs. Given the strength of the group's balance sheet and cash flows, additional borrowing can be sourced quickly if required to fund acquisitions or significant capital works.

Net debt (interest bearing debt less cash and cash equivalents) of \$7,222,000 at 30 June 2016 (2015: \$8,230,000) reflects a continued improvement in the net debt to equity ratio of 22.6% (2015: 28.8%).

On 19 October 2015, the company issued 14,764,380 ordinary shares at a price of 5.89 cents per share under the company's Dividend Reinvestment Plan (DRP) in respect of a fully franked final dividend announced on 31 August 2015. On 15 March 2016, the company issued 11,151,426 ordinary shares at a price of 6.05 cents per share under the company's DRP, in respect of a fully franked interim dividend announced on 24 February 2016. As a result, issued share capital increased from 328,464,734 shares to 354,380,540 shares.

In the 2015 financial year, the company issued 13,021,155 ordinary shares at a price of 4.845 cents per share under the company's DRP which was fully underwritten.

Net tangible asset backing was 8.9 cents per share (2015: 8.5 cents).

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

Other than the proposed final dividend in respect of the year ended 30 June 2016 (refer section 3 of this directors' report), there are no other matters or circumstances that have arisen since 30 June 2016 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

9. Information on directors (continued)

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

Interests of directors

<i>Names of directors</i>	<i>Ordinary shares</i>	<i>Options</i>
J M Ganim	96,706,466	-
G De Luca	59,581,987	-
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 2016, 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	9	9	2	2
G De Luca	9	8	2	2
V A Wills	9	9	2	2

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

12. Remuneration report

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

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

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

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

Executives

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

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

12. Remuneration report (continued)

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

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 2016 was \$160,000 (2015: \$160,000).

Relationship to performance

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

Year Ended 30 June	2012	2013	2014	2015	2016
Profit/(loss) after tax attributable to members (\$'000)	178	(1,285)	3,166	2,298	1,976
Dividends paid (\$'000)	-	-	1,419	631	1,740
Share price at end of year*	5.5¢	5.0¢	5.0¢	5.5¢	6.7¢

Not adjusted for 1:1 rights issue at 4.5 cents per share in the 2014 financial year

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of the company and each of the key management personnel of the company and the consolidated entity for the year ended 30 June 2016 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		
2016	\$	\$	\$	\$	\$	\$	\$	%
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 M Jacobi-Lee	193,651	-	2,955	17,046	6,886	-	220,538	-
Total	193,651	-	2,955	17,046	6,886	-	220,538	
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 M Jacobi-Lee	181,320	-	6,241	16,255	3,468	-	207,284	-
Total	181,320	-	6,241	16,255	3,468	-	207,284	

* Amounts disclosed include leave entitlement accrued during the year

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

Eumundi Group Limited's resolution put forward at the 2015 annual general meeting proposing that the remuneration report be adopted received 99% "yes" votes. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

12. Remuneration report (continued)

C. Service agreements

S Jacobi-Lee (chief executive officer)

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

D. Share-based compensation

There have been no share based payment benefits, vested or exercised, or granted as compensation during the year (2015: 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
2016				
Directors				
J M Ganim	101,021,536	9,006,014	-	110,027,550
G De Luca	55,085,071	2,796,635	-	57,881,706
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 \$3,060 (2015: \$6,480). No amount was owing to the related party at 30 June 2016 (30 June 2015: \$540).

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 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 non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2016	2015
	\$	\$
Pitcher Partners		
Taxation compliance services	7,750	8,150

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

18. Rounding of amounts

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

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



J M Ganim
Director

Dated at Brisbane this 30th day of August 2016.



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 2016, 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

NIGEL BATTERS
Partner

Brisbane, Queensland
30 August 2016

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations	5	23,139	22,444
Other income			
Net gain on fair value adjustment – investment properties	13	848	1,322
Reversal of impairment loss		-	50
Total revenue and other income		23,987	23,816
Expenses			
Purchase of inventories		(8,695)	(8,612)
Change in inventories		75	(150)
Employee benefits expense		(3,971)	(3,609)
Depreciation and amortisation	6	(845)	(789)
Insurance		(98)	(93)
Operating lease rentals	6	(351)	(356)
Rates and taxes		(105)	(97)
Outgoings – investment properties		(674)	(807)
Selling costs – investment properties		-	(172)
Gaming machine tax		(3,703)	(2,928)
Finance costs	6	(355)	(834)
Impairment - land held for resale		(68)	-
Other expenses		(2,360)	(2,130)
Total expenses		(21,150)	(20,577)
Profit before income tax		2,837	3,239
Income tax expense	7	(861)	(941)
Profit for the year		1,976	2,298
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		2,187	510
Income tax on items of other comprehensive income		(655)	(153)
Other comprehensive income for the period, net of tax		1,532	357
Total comprehensive income for the year		3,508	2,655
Earnings per share:			
Basic & diluted earnings per share	29	Cents 0.58	Cents 0.72

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 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,512	1,449
Trade and other receivables	9	183	211
Inventories	10	1,454	1,447
Other assets	11	437	395
TOTAL CURRENT ASSETS		3,586	3,502
NON-CURRENT ASSETS			
Property, plant and equipment	12	27,600	24,857
Investment properties	13	13,700	12,600
Intangible assets	14	545	547
TOTAL NON-CURRENT ASSETS		41,845	38,004
TOTAL ASSETS		45,431	41,506
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	2,944	2,229
Income tax payable		103	247
Provisions	16	357	306
TOTAL CURRENT LIABILITIES		3,404	2,782
NON-CURRENT LIABILITIES			
Borrowings	17	8,734	9,679
Deferred tax liability	7(c)	1,358	419
TOTAL NON-CURRENT LIABILITIES		10,092	10,098
TOTAL LIABILITIES		13,496	12,880
NET ASSETS		31,935	28,626
EQUITY			
Contributed equity	18	20,733	19,192
Reserves	19(a)	5,236	3,704
Retained profits	19(b)	5,966	5,730
TOTAL EQUITY		31,935	28,626

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 2016

	Notes	Contributed equity \$'000	Revaluation surplus \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 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
Profit for the year		-	-	1,976	1,976
Revaluation of land and buildings - gross	12	-	2,187	-	2,187
Income tax relating to components of other comprehensive income	7(d)	-	(655)	-	(655)
Total comprehensive income for the period		-	1,532	1,976	3,508
Dividend paid to shareholders	20	-	-	(1,740)	(1,740)
Contributions of equity net of transaction costs	18	1,541	-	-	1,541
Balance at 30 June 2016		20,733	5,236	5,966	31,935

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 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,051	24,961
Payments to suppliers and employees		(21,451)	(21,160)
Interest received		10	24
Finance costs		(355)	(779)
Income tax paid		(720)	(372)
Net cash inflows from operating activities	27	2,535	2,674
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment properties	13	-	(66)
Payments for property, plant & equipment	12	(1,328)	(995)
Proceeds from sale of investment property	13	-	13,150
Net cash outflows from/(used in) investing activities		(1,328)	12,089
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	2,400
Repayment of borrowings		(945)	(17,100)
Share issue costs		(2)	(15)
Dividends paid		(197)	-
Net cash outflows used in financing activities		(1,144)	(14,715)
Net increase in cash and cash equivalents		63	48
Cash and cash equivalents at beginning of year		1,449	1,401
Cash and cash equivalents at end of year	8	1,512	1,449

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 2015 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 2016 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, and annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term benefit obligations

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

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

(iii) Retirement benefit obligations

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

(s) Borrowings

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

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

1. Summary of significant accounting policies (continued)

(t) Contributed equity

Ordinary shares are classified as equity.

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

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

(u) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(v) Dividends

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

(w) Goods and services tax (GST)

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

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

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

(x) Rounding of amounts

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

(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:

	2016 \$'000	2015 \$'000
Financial assets		
Cash and cash equivalents	1,512	1,449
Trade and other receivables*	183	211
	<u>1,695</u>	<u>1,660</u>
Financial liabilities		
Trade and other payables**	2,944	2,229
Borrowings**	8,734	9,679
	<u>11,678</u>	<u>11,908</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 2016		30 June 2015	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Bills payable	3.40%	8,734	3.57%	9,679

Sensitivity

At 30 June 2016, 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 \$61,000 lower/higher (2015 – change of 100 bps: \$68,000 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 2016, none of the group's debt is payable in the next 12 months (2015: 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 2016	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Total contractual cash flows	Carrying amount
Non-derivatives	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	2,944	-	-	-	2,944	2,944
Commercial bills	149	149	298	8,974	9,570	8,734
Total	3,093	149	298	8,974	12,514	11,678

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	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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

(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 \$13,700,000 (2015: \$12,600,000), and land and buildings (included in property, plant & equipment) with a carrying amount of \$26,189,000 (2015: \$23,819,000) 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 \$848,000 (2015: \$1,322,000) are included within other income in the statement of comprehensive income. Gains on the revaluation of land and buildings in the period totalling \$2,187,000 (2015: gain of \$510,000) are recognised in the revaluation reserve in equity, net of tax, in accordance with the accounting policy described in note 1(n).

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

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

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

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

Categories of Tangible Assets Measured at Fair Value

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

Retail assets – Aspley Arcade Shopping 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 2016 fair value assessment for Aspley Arcade Shopping Centre and the retail component for Aspley Shopping Centre were based on directors' internal valuation.

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

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 2016 valuation of land and buildings for Ashmore Tavern was based upon an independent valuation made by members of the Australian Property Institute in April 2016. The June 2016 valuation for the hotel component of Aspley Shopping Centre (Aspley Central Tavern) was based upon directors' internal valuation.

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

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 \$375 to \$840 (2015: \$360 to \$794)
- capitalisation rate for each property of 8.75% to 9.25% (2015: 9.5%) (weighted average of 8.75% (2015: 9.50%))
- discount rates ranging from 9.5% to 10.25% (2015: 10% to 10.25%) (weighted average of 10.15% (2015: 10.15%))
- perpetual vacancy rates ranging from 2.5% to 3.0% (2015: 2.5% to 3.6%) (weighted average of 2.72% (2015: 3.02%))
- assumed lease term of 5 years (2015: 5 years)

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

- capitalisation rates applied to market EBITDAR 11% (2015: 11% to 11.5%)
- market EBITDAR of \$1,842,500 for the Ashmore Tavern (2015: \$1,551,000) and \$893,000 for Aspley Central Tavern (2015: \$805,000)
- market rent percentages ranging from 40% to 42.5% (2015: 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 2016

(continued)

4. Segment information (continued)

	Hotel operations	Investment Property operations	Total
2016	\$'000	\$'000	\$'000
Revenue			
Total sales revenue	20,130	2,863	22,993
Inter-segment revenue	-	(385)	(385)
Other revenue	521	-	521
Total segment revenue	20,651	2,478	23,129
Interest revenue			10
Total revenue			23,139
Results			
Segment results	1,766	1,804	3,570
Inter-segment eliminations			(385)
Finance expenses			(355)
Unallocated revenue less unallocated expenses			(773)
Net loss on impairment of land held for resale			(68)
Fair value adjustment on investment properties			848
Profit before income tax			2,837
Income tax expense			(861)
Profit for the year			1,976
Assets			
Segment assets	15,731	29,382	45,113
Unallocated assets			318
Total assets			45,431
Depreciation and amortisation	582	259	841
Unallocated			4
Total depreciation and amortisation			845

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

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

Inter-segment revenue of \$385,000 in the current year relates to Aspley Central Tavern rent and outgoings (2015: Nil).

Notes to the financial statements

For the year ended 30 June 2016

(continued)

4. Segment information (continued)

	Hotel operations	Investment Property Operations	Total
2015	\$'000	\$'000	\$'000
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

5. Revenue

	2016 \$'000	2015 \$'000
Sale of goods	12,558	12,457
Gaming revenue	7,572	6,150
Rental income and recoveries from investment properties	2,478	3,334
	22,608	21,941
Interest	10	24
Commissions	289	265
Other	232	214
Total revenue	23,139	22,444

Notes to the financial statements

For the year ended 30 June 2016

(continued)

6. Expenses

	2016	2015
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Cost of goods sold	8,620	8,762
Depreciation		
- Buildings	390	386
- Plant and equipment	453	402
Total depreciation	<u>843</u>	<u>788</u>
Amortisation – intangibles	2	1
Finance costs		
- Interest and finance charges paid/payable	355	834
Operating lease rentals – minimum lease payments	351	356
Defined contribution superannuation expense	304	283

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

Current tax	525	506
Deferred tax	316	454
Over provision in prior years (deferred tax)	(32)	-
Over provision in prior years (current tax)	52	(19)
	<u>861</u>	<u>941</u>

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

Profit before income tax - continuing operations	<u>2,837</u>	<u>3,239</u>
Income tax at the Australian tax rate of 30% (2015: 30%)	851	972
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable items	(10)	(12)
Over provision in prior years (current and deferred tax)	20	(19)
Income tax expense	<u>861</u>	<u>941</u>

Notes to the financial statements

For the year ended 30 June 2016

(continued)

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

	2016	2015
	\$'000	\$'000
Investment properties	(370)	(36)
Property, plant and equipment	(1,578)	(968)
Employee benefits	107	92
Accrued expenses	10	20
Sundry items	22	78
Tax losses	451	395
Net deferred tax assets	<u>(1,358)</u>	<u>(419)</u>

Movement in deferred tax:

At 1 July	(419)	184
Charged to profit or loss	(316)	(454)
Over provision in prior years	32	-
Credited to equity	-	4
Charged to other comprehensive income	(655)	(153)
At 30 June	<u>(1,358)</u>	<u>(419)</u>

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

Gain on revaluation of land and buildings	(655)	(153)
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(e) Amounts relating to items recognised directly in equity

Share issue costs	-	4
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(f) Tax consolidation legislation

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

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

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

(g) Franking credits

	2016	2015
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	<u>522</u>	<u>797</u>

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

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

Notes to the financial statements

For the year ended 30 June 2016

(continued)

8. Cash and cash equivalents	2016	2015
	\$'000	\$'000
Cash at bank and in hand	1,512	1,449

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

9. Trade and other receivables

Trade receivables	86	111
Other receivables	97	100
	<u>183</u>	<u>211</u>

Impaired trade receivables

The group has no impaired receivables as at 30 June 2016 (2015: \$nil).

Past due but not impaired

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

Fair value and credit risk

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

10. Inventories

Finished goods – at cost	1,272	1,197
Land held for resale (Home Hill)	182	250
	<u>1,454</u>	<u>1,447</u>

Inventories recognised as expense during the period ended 30 June 2016 amounted to \$8,620,000 (2015: \$8,762,000).

A loss on impairment of land held for resale of \$68,000 was recognised as at 30 June 2016 based on the director's internal assessment. In the prior year a \$50,000 gain on reversal of impairment was recognised based on an updated independent assessment of the valuation of the property performed as at 30 June 2015.

11. Other current assets

Short term deposits	96	92
Prepayments	341	303
	<u>437</u>	<u>395</u>

Notes to the financial statements

For the year ended 30 June 2016

(continued)

12. Property, plant and equipment

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
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
Year ended 30 June 2016				
Opening net book amount	8,350	15,469	1,038	24,857
Revaluation increment / (decrement)	740	1,447	-	2,187
Additions	-	502	826	1,328
Straight-line adjustments	-	71	-	71
Depreciation charge	-	(390)	(453)	(843)
Closing net book amount	9,090	17,099	1,411	27,600
At 30 June 2016				
Cost or fair value	9,090	17,099	2,533	28,722
Accumulated depreciation	-	-	(1,122)	(1,122)
Net book amount	9,090	17,099	1,411	27,600

Land and buildings includes Ashmore Tavern and Aspley Shopping Centre.

(a) Valuation of land and buildings

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

(b) Non-current assets pledged as security

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

(c) Contractual obligations

There were no other contractual obligations to purchase, construct or develop property or for repairs, maintenance or enhancement as at 30 June 2016. (2015: \$268,000)

Notes to the financial statements

For the year ended 30 June 2016

(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:

	2016 \$'000	2015 \$'000
Freehold land		
Cost or deemed cost	7,426	7,426
Net book amount	<u>7,426</u>	<u>7,426</u>
Buildings		
Cost or deemed cost	13,068	12,844
Accumulated depreciation	(961)	(912)
Net book amount	<u>12,107</u>	<u>11,932</u>

13. Investment properties

	2016 \$'000	2015 \$'000
At fair value		
At beginning of year	12,600	24,400
Capitalised expenditure	277	66
Straight line rentals	(25)	(38)
Net gain from fair value adjustment	848	1,322
Sale of investment property – Bribie Harbour Shopping Village	-	(13,150)
At end of year	<u>13,700</u>	<u>12,600</u>

(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 the investment property held by the group as at balance date:

Property	Acquisi- tion Date	Cost Including Additions*	Last Independent Valuation		Book Value	
			Date	\$'000	2016 \$'000	2015 \$'000
Aspley Arcade Shopping Centre	Jun 2007	13,000	Feb 2014	12,600	13,700	12,600
					<u>13,700</u>	<u>12,600</u>

(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:

	2016 \$'000	2015 \$'000
Within one year	2,030	2,162
Later than one year but not later than five years	4,368	4,915
Later than five years	991	775
Total	<u>7,389</u>	<u>7,852</u>

(d) Non-current assets pledged as security

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

Notes to the financial statements

For the year ended 30 June 2016

(continued)

13. Investment properties (continued)**(e) Amounts recognised in profit or loss for investment properties**

	2016 \$'000	2015 \$'000
Rental income and recoveries from investment properties	2,478	3,334
Direct operating expenses from properties that generated rental income	(674)	(807)
	<u>1,804</u>	<u>2,527</u>

14. Intangible assets

Gaming authorities at cost	<u>478</u>	<u>478</u>
Hotel licenses at cost	104	104
Accumulated amortisation	(37)	(35)
Net carrying value	<u>67</u>	<u>69</u>
Net carrying value of intangibles	<u>545</u>	<u>547</u>

	Hotel Licences \$'000	Gaming Authorities \$'000	Total \$'000
Year ended 30 June 2015			
Opening net book amount	70	478	548
Amortisation charge	(1)	-	(1)
Closing net book amount	<u>69</u>	<u>478</u>	<u>547</u>
Year ended 30 June 2016			
Opening net book amount	69	478	547
Amortisation charge	(2)	-	(2)
Closing net book amount	<u>67</u>	<u>478</u>	<u>545</u>

15. Trade and other payables

Trade payables	2,033	1,627
Other payables and accruals	911	602
	<u>2,944</u>	<u>2,229</u>

16. Current liabilities – Provisions

Employee benefits	<u>357</u>	<u>306</u>
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17. Non-current liabilities – Borrowings

Commercial bills – secured	<u>8,734</u>	<u>9,679</u>
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(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 2016

(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	2016 \$'000	2015 \$'000
Total facilities		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facilities	12,000	16,000
	<u>12,500</u>	<u>16,500</u>
Used at balance date		
Bank overdraft	-	-
Finance lease liabilities	-	-
Commercial bill facilities *	8,750	9,700
	<u>8,750</u>	<u>9,700</u>
Unused at balance date		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facilities	3,250	6,300
	<u>3,750</u>	<u>6,800</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 (2015: \$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 2019. Further details are outlined below.

Amount drawn (Face Value)		Interest rate		Repayment terms
2016 \$'000	2015 \$'000	2016 %	2015 %	
2,300	2,600	3.40	3.56	Interest only until expiry
2,000	2,300	3.40	3.58	Interest only until expiry
2,050	2,400	3.40	3.57	Interest only until expiry
2,400	2,400	3.41	3.56	Interest only until expiry
<u>8,750</u>	<u>9,700</u>			

Finance lease liabilities

The group has a lease finance facility of \$400,000 (2015: \$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.

18. Contributed equity

	2016	2015	2016	2015
	Number of shares	Number of shares	\$'000	\$'000
Share capital				
Fully paid ordinary shares	<u>354,380,540</u>	<u>328,464,734</u>	<u>20,733</u>	<u>19,192</u>

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.

Notes to the financial statements

For the year ended 30 June 2016

(continued)

18. Contributed equity (continued)**Movements in share capital**

	Number of Shares	Issue Price ¢	\$'000
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	<u>328,464,734</u>		<u>19,192</u>
Shares issued under the DRP	14,764,380	5.890	869
Shares issued under the DRP	11,151,426	6.050	674
Share issue costs (net of tax)	-	-	(2)
Balance at 30 June 2016	<u>354,380,540</u>		<u>20,733</u>

On 19 October 2015, the company issued 14,764,380 ordinary shares at a price of 5.89 cents per share under the company's Dividend Reinvestment Plan (DRP) in respect of a fully franked final dividend announced on 31 August 2015.

On 15 March 2016, the company issued 11,151,426 ordinary shares at a price of 6.05 cents per share under the company's DRP, in respect of a fully franked interim dividend announced on 24 February 2016.

As a result, issued share capital increased from 328,464,734 shares to 354,380,540 shares.

In the 2015 financial year, the company issued 13,021,155 ordinary shares at a price of 4.845 cents per share under the company's DRP which was fully underwritten.

Options

As at 30 June 2016, there were no options to purchase ordinary shares in the parent entity (2015: 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 2016 and 30 June 2015 were as follows:

	2016 \$'000	2015 \$'000
Total borrowings	11,678	11,908
Less: cash and cash equivalents	<u>(1,512)</u>	<u>(1,449)</u>
Net debt	10,166	10,459
Total equity	<u>31,935</u>	<u>28,626</u>
Total capital	<u>42,101</u>	<u>39,085</u>
Gearing ratio	24.2%	26.8%

Eumundi Group Limited has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 financial years.

Notes to the financial statements

For the year ended 30 June 2016

(continued)

19. Reserves and retained profits

(a) Reserves	2016	2015
	\$'000	\$'000
Property, plant and equipment revaluation surplus	5,236	3,704

*Movements in reserves:**Property, plant and equipment revaluation surplus*

Balance at the beginning of the year	3,704	3,347
Gain/(loss) on revaluation of freehold land and buildings (net of tax) *	1,532	357
Balance at the end of the year	5,236	3,704

* Gross gain before tax of \$2,187,000 (2015: gain of \$510,000)

(b) Retained profits

Retained profits at the beginning of the year	5,730	4,063
Profit for the year attributable to owners of the company	1,976	2,298
Dividend paid to shareholders	(1,740)	(631)
Retained profits at the end of the year	5,966	5,730

(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%) final dividend of 0.3 cents per fully paid ordinary share paid on 19 October 2015 (see note 18) (2015: Nil)	985	-
Fully franked (at 30%) interim dividend of 0.22 cents per fully paid ordinary share paid on 15 March 2016 (see note 18) (2015: 0.2 cents)	755	631
	1,740	631
Proposed fully franked (at 30%) final dividend of 0.33 cents per fully paid ordinary share payable on 14 October 2016 (2015: 0.3 cents) not yet brought into account in the financial statements	1,169	985

Notes to the financial statements

For the year ended 30 June 2016

(continued)

21. Parent entity financial information**(a) Summary financial information**

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

	2016 \$'000	2015 \$'000
<i>Statement of financial position</i>		
Current assets	-	-
Non-current assets	22,589	20,480
Total assets	<u>22,589</u>	<u>20,480</u>
Current liabilities	103	247
Total liabilities	<u>103</u>	<u>247</u>
<i>Shareholders' equity</i>		
Issued capital	20,733	19,192
Retained earnings	1,753	1,041
	<u>22,486</u>	<u>20,233</u>
Profit for the year	<u>2,452</u>	<u>1,019</u>
Total comprehensive income	<u>2,452</u>	<u>1,019</u>

(b) Guarantees entered into by the parent entity

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

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

(c) Contingent assets and liabilities of the parent entity

The individual parent entity had no contingent assets or liabilities.

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

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

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

	2016 \$	2015 \$
Short-term employee benefits	347,063	338,018
Long-term benefits	6,886	3,468
Post-employment benefits	26,589	25,798
	<u>380,538</u>	<u>367,284</u>

(b) Transactions with related parties

Dividends paid to key management personnel	830,358	299,850
Subscription for new ordinary shares by key management personnel as a result of:		
- the reinvestment of dividends (note 18)	830,358	299,850

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

During the year, the group received architectural services from a related entity of G De Luca to the value of \$3,060 (2015: \$6,480). No amount was owing to the related entity at 30 June 2016 (30 June 2015: \$540).

Notes to the financial statements

For the year ended 30 June 2016

(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:

	2016 \$	2015 \$
Audit and review of financial reports	60,000	60,000
Tax compliance services	7,750	8,150
	<u>67,750</u>	<u>68,150</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.

	2016 \$'000	2015 \$'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:		
Within one year	255	193
Later than one year but not later than five years	378	288
Greater than five years	-	-
	<u>633</u>	<u>481</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*	
			2016	2015
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 2016

(continued)

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

	2016	2015
	\$'000	\$'000
Profit for the year	1,976	2,298
Depreciation and amortisation	845	789
Straight line rental adjustment	(46)	115
Rent incentive	77	-
Net gain on fair value adjustment of investment properties	(848)	(1,322)
Net loss (Reversal) of impairment loss	68	(50)
Changes in operating assets and liabilities (net of assets disposed):		
(Increase)/decrease in:		
Trade and other receivables	28	(42)
Inventories	(75)	200
Other current assets	(42)	(23)
Prepaid interest	-	55
Increase/(decrease) in:		
Trade and other payables	361	109
Income tax payable	(144)	79
Deferred tax liability*	284	454
Employee benefits	51	12
Cash flows from operating activities	<u>2,535</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 the company's DRP, as disclosed in note 18.

29. Earnings per share

(a) Basic & diluted earnings per share	2016	2015
Total basic & diluted earnings per share attributable to owners of the company	0.58¢	0.72¢
(b) Weighted average number of shares used as the denominator	Number of shares	
	2016	2015
Weighted average number of ordinary shares used in calculating basic earnings per share	342,041,977	318,868,321
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	342,041,977	318,868,321

There are no dilutive potential ordinary shares.

Notes to the financial statements

For the year ended 30 June 2016

(continued)

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 2016 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 2016 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 30th day of August, 2016.



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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 2016, 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 2016 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 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.

Pitcher Partners

PITCHER PARTNERS



NIGEL BATTERS

Partner

Brisbane, Queensland
30 August 2016

Shareholder information

The shareholder information below was applicable as at 10 August 2016.

A. Distribution of Equity Securities

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

Ordinary Shares	
1 – 1,000	21
1,001 – 5,000	31
5,001 – 10,000	113
10,001 – 50,000	213
50,001 – 100,000	30
100,001 – 500,000	71
500,001 – 1,000,000	9
1,000,001 and over	40
Total	528

There are 57 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	59,581,987	16.81
2. Ganboys Pty Ltd	27,633,629	7.80
3. Gansons Pty Ltd	23,166,490	6.54
4. Ganbros Pty Ltd	21,870,652	6.17
5. JP Morgan Nominees Australia Limited	21,650,602	6.11
6. SCMS Pty Ltd – SJ Shoobridge S/F Account	19,192,343	5.42
7. Agpro Pty Ltd – Joe Ganim Super Fund	19,021,422	5.37
8. Wilhelm Super Fund Account	14,796,861	4.18
9. Mrs. Tracy Fraser A/C	13,570,905	3.83
10. Mrs. Tracy Fraser	12,174,486	3.44
11. Swancliffe Pty Ltd	7,540,393	2.13
12. Ruminator Pty Ltd	7,423,729	2.09
13. Mr. Robert Fraser and Mrs Tracy Fraser – Fraser Family SF A/C	5,988,576	1.69
14. Mr Paul Ganim and Mrs Alison Ganim	5,633,611	1.59
15. Keiser Investments Pty Ltd – Gann Family Retirement Account	5,393,955	1.52
16. Mr Joseph Ganim	5,014,274	1.41
17. Keiser Shipping and Transport Pty Ltd	4,364,875	1.23
18. National Nominees Limited	4,275,317	1.21
19. Archer Management Pty Ltd – Archer Super Fund	3,498,608	0.99
20. Rogand Superannuation Pty Ltd	3,330,818	0.94
Total	285,123,533	80.46

C. Substantial holders

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

	Number held	Percentage
De Luca Group Superannuation Fund	59,581,987	16.81
Tracy Fraser	29,136,467	8.87
Ganboys Pty Ltd	27,633,629	7.80
Gansons Pty Ltd	23,166,490	6.54
Ganbros Pty Ltd	21,870,652	6.17
Phoenix Portfolios Pty Ltd	22,908,873	6.46
SCMS Pty Ltd – SJ Shoobridge S/F Account	19,192,343	5.42
Agpro Pty Ltd – Joe Ganim Super Fund	19,021,422	5.37

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.