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 2017.

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 28 February 2017 the board declared a fully franked interim dividend of $827,000 (2.25 cents per share) which was paid to shareholders on 13 March 2017 (2016: $755,000 (2.2 cents per share adjusted for the 1 for 10 share consolidation)).

The board has declared a fully franked final dividend of $1,194,000 (3.25 cents per share) (2016: $1,169,000 (3.3 cents per share adjusted for the 1 for 10 share consolidation)) which will be paid to shareholders on 15 September 2017.

4. Review of operations

Financial Results

Eumundi Group Limited recorded a profit after tax of $1,464,000 for the year ended 30 June 2017 (2016: $1,976,000).

The current year profit includes a fair value increment on revaluation of investment properties of $80,000 (2016: $848,000) attributable to the Aspley Arcade Shopping Village.

Revenue from continuing operations of $24,232,000 represents an increase of 4.7% compared with $23,139,000 for the prior year.

Investment property revenues decreased by $92,000 from $2,863,000 in 2016 to $2,771,000 in the current year due predominantly to higher vacancy rates upon reconfiguration of the centres and reduced rental revenue on expiry and renegotiation of leases. Outgoings on investment properties increased from $674,000 in 2016 to $780,000 in the current year due to large non-recurring repair and maintenance works. Depreciation has increased by $84,000 to $343,000 for the year on revaluation of the buildings as at December 2016. As a result, investment property segment results decreased from $1,930,000 in 2016 to $1,648,000 (down 14.6%) with the unfavourable variances occurring predominantly during the second half of the year.

Hotel segment revenues increased by $1,203,000 (up 5.8%), from $20,651,000 in 2016 to $21,854,000 in the current year. Gaming revenue increased by $818,000 (up 10.8%) from $7,572,000 in 2016 to $8,390,000 in the current year with ongoing gaming fleet upgrades at both venues. Bar and bistro revenues increased by $218,000 (up 7.2%) to $3,285,000 from $3,067,000 in the prior period with growth at both venues. Retail liquor revenues increased by $409,000 (up 14.6%) to $3,213,000 compared with $2,803,000 in the prior year, including modest recovery during the second half of the year. Improved margins on retail sales were also achieved.

Employee benefits expense increased slightly from $3,971,000 in 2016 to $4,019,000 in the current year. The current year includes 12 months of extended trading hours at the Ashmore Tavern (as approved by the Office of Liquor and Gaming Regulation in November 2015) while the prior year result included recognition of employee entitlement provisions for sick leave. Electricity costs increased by 11.6% from $275,000 in 2016 to $307,000 in the current year. Gaming machine taxes increased from $3,703,000 in 2016 to $4,118,000 in the current year in line with increased revenues.

The hotel segment result of $1,557,000 was an increase of $176,000 (12.7%) compared with the prior year's result of $1,381,000 arising from improved results at both hotels.

Depreciation and amortisation increased from $845,000 in 2016 to $1,024,000 in the current year due to an increased land and building asset base largely attributable to the revaluation of the Aspley Central property.

Financing costs were $322,000 in 2017 compared with $355,000 in the previous year due to reduced borrowings of $969,000 offset by a slight increase in interest rates.

4. Review of operations (continued)

Financial Position
Net assets at 30 June 2017 were $36,221,000 representing a $4,286,000 increase or 13.4% from $31,935,000 at 30 June 2016.

Cash inflows from operations of $1,718,000 in the current year were $817,000 below the prior period mainly of a result of the payment of insurance premiums for two financial years in the current year amounting to $396,000 (2016: nil), and the payment for a bulk liquor purchase increasing inventory by $219,000.

Total borrowings decreased from $8,734,000 at 30 June 2016 to $7,765,000 at 30 June 2017. 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 $6,927,000 at 30 June 2017 (2016: $7,222,000) reflects a continued improvement in the net debt to equity ratio to 19.1% (2016: 22.6%).

On 14 October 2016, the Group paid a total final dividend for the year ended 30 June 2016 of $1,169,000 (3.3 cents per share adjusted for the share consolidation). The Group issued 1,285,060 ordinary shares (adjusted for the share consolidation) to participating shareholders under the Dividend Reinvestment Plan in relation to the final dividend at an adjusted issue price of 84.3 cents per share.

On 29 November 2016 the Group completed a 1 for 10 share consolidation (subject to rounding) approved by the shareholders at the Annual General Meeting held on 18 November 2016.

As a result of the Dividend Reinvestment Plan and the Share Consolidation, the total number of shares on issue decreased from 354,380,540 shares as at 1 July 2016 to 36,723,117 shares on issue as at 30 June 2017.

On 13 March 2017 the Group paid a fully franked interim cash dividend of $827,000 (2.25 cents per share) which was declared on 28 February 2017.

Net tangible asset backing was 97.2 cents per share as at 30 June 2017 (2016: 88.6 cents per share on an adjusted basis).

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 2017 (refer section 3 of this directors' report), there are no other matters or circumstances that have arisen since 30 June 2017 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 a director of ASX listed Site Group International Limited. Mr Ganim also advises and sits on the boards of seven private companies, including as a board representative executor of deceased estates involved in substantial business enterprises.

Special responsibilities:
Member of the audit committee

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

Special responsibilities:
Member of the audit committee

Vernon Alan Wills – Non-executive director
Mr Wills, who joined the board as independent director in 2004, has an extensive background in areas of investment and finance in a broad range of industries including property, mining, IT and education. He is currently chief executive officer and managing director of Site Group International Limited, chairman of Ubidy.com and chairman of Microba Pty Ltd. Mr Wills was previously chairman of Dark Blue Sea Limited, deputy chair of Queensland government's Major Sports Facilities Authority, director of CITEC, 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

Names of directors	*Ordinary shares*
J M Ganim	10,049,212
G De Luca	6,191,438
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 the principal of 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 2017, and the numbers of meetings attended by each director were:

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

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

12. Remuneration report

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

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

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

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

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

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

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

The board seeks to set aggregate remuneration at a level which provides the 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 2017 was $160,000 (2016: $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	**2013**	**2014**	**2015**	**2016**	**2017**
Profit/(loss) after tax attributable to members ($'000)	(1,285)	3,166	2,298	1,976	1,464
Total comprehensive income for the year ($'000)	(781)	2,955	2,655	3,508	5,203
Dividends paid ($'000)	-	1,419	631	1,740	1,996
Dividends paid per share[3]	-	5.0c	2.0c	5.2c	5.55c
Net tangible asset backing per share	118.6c	80.6c	85.5c	88.7c	97.2c
Share price at end of year[1,2]	35¢	50¢	55¢	70¢	88¢

1. Adjusted for 1:1 rights issue at 45 cents per share (on an adjusted basis) in the 2014 financial year
2. *Prior period share price at end of year has been restated to reflect the consolidation of the company's issued capital on the basis of 1 for every 10 shares which occurred in the 2017 financial year*
3. June 2014 dividend was a special dividend. All other payments are ordinary dividends

12. Remuneration report (continued)

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 2017 are set out in the following table.

	Short term employee benefits			Post-employment benefits	Long Term Benefits	Share based payments	Total	% Performance based
	Cash salary and fees*	Cash bonuses	Non-cash benefits	Super-annuation	Long Service Leave*	Options		
2017	$	$	$	$	$	$	$	%
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	198,915	-	4,089	19,063	3,793	-	225,860	-
Total	198,915	-	4,089	19,063	3,793	-	225,860	
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	

* Amounts disclosed include leave entitlement accrued during the year
** Directors fees for V A Wills are invoiced by and paid to a related entity on commercial terms. There were no amounts outstanding at 30 June 2017 (2016: Nil)

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 personnel in the executive group in the current or prior year.

Eumundi Group Limited's resolution put forward at the 2016 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.

C. Service agreements

S M 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 (2016: nil).

E. Equity instruments held by key management personnel

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

2017	Balance at start of year	Take up of Dividend Reinvestment Plan entitlement	Share reduction on 10:1 consolidation	Balance at end of year
Directors				
J M Ganim	110,027,551	4,307,123	(102,901,208)	11,433,466
G De Luca	59,980,030	2,341,012	(56,088,937)	6,232,105
V A Wills	-	-	-	-
Other key management personnel				
S M Jacobi-Lee	-	-	-	-

12. Remuneration report (continued)

F. Other transactions with key management personnel

There were no transactions with related parties during the year. During the prior year the group received architectural services from a related entity of G De Luca to the value of $3,060. No amount was owing to any related party at 30 June 2017 (30 June 2016: $Nil).

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

13. Shares under option

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

14. Shares issued on exercise of options

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

15. Insurance of officers

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

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

16. Proceedings on behalf of the company

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

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

17. Non-audit services

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

Details of the amounts paid or payable to the auditor (Pitcher Partners) for 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	
	2017	**2016**
	$	**$**
Pitcher Partners		
Taxation compliance services	8,000	7,750

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 29th day of August 2017.