1. 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 2016 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 2017 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. 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. 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. 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 expended 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. 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. 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. 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 no expiry date and can only be withdrawn or cancelled by a government authority under circumstances of breach or legislative change. They are deemed to have an indefinite useful life and are carried at cost less any impairment losses. Intangible assets with an indefinite useful life are 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 *Financial Instruments – revised* and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 15 *Revenue from Contracts with Customers* and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 16 *Leases*	1 Jan 2019	1 Jul 2019

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. Based on the guidance, management does not expect the recognition and measurement of revenue to materially change under the new standard, but the Group has not completed its final assessment.

AASB 16 - requires lessees to account for all leases under a single 'on-balance-sheet' model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

As lessor accounting remains largely unchanged there is no anticipated material impact on accounting for rental income for the Group.

As at reporting date the group as lessee has minimum commitments for non-cancellable operating leases for certain retail premises of $376,000 as disclosed in note 25. For operating leases for which payments are currently required to be expensed, the group will recognise 'right-to-use' assets and corresponding liabilities for the principle amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement replacing operating lease expenses. The principle component of lease payments will be reclassified from operating to financing in the statement of cash flows. As it is not yet practical to do so, the Group has not yet determined the extent these commitments will result in the recognition of an asset and a liability for future payments and how this will effect profit and classification of cash flows.

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.

1. Summary of significant accounting policies (continued)

(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:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	838	1,512
Trade and other receivables*	304	183
	1,142	1,695
Financial liabilities		
Trade and other payables**	2,288	2,944
Borrowings**	7,765	8,734
	10,053	11,678

*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 2017		30 June 2016	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Finance facilities	3.41%	7,720	3.40%	8,734

Sensitivity
At 30 June 2017, 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 $54,000 lower/higher (2016 – change of 100 bps: $61,000 lower/ higher) as a result of a change in interest expense from borrowings. Weighted average interest rates exclude facility fees paid on undrawn facilities.

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 2017, none of the group's debt is payable in the next 12 months (2016: 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 2017	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	2,288	-	-	-	2,288	2,288
Commercial loans	130	130	7,958	-	8,218	7,765
Total	2,418	130	7,958	-	10,506	10,053

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

(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 (2016: $13,700,000), and land and buildings (included in property, plant and equipment) with a carrying amount of $30,961,000 (2016: $26,189,000) 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 $80,000 (2016: $848,000) are included within other income in the statement of comprehensive income. Gains on the revaluation of land and buildings in the period totalling $5,342,000 (2016: gain of $2,187,000) 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 2017 fair value assessment for Aspley Arcade Shopping Centre was based on directors' internal valuation and the retail component for Aspley Shopping Centre was based upon an independent valuation made by members of the Australian Property Institute in February 2017.

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 .

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 2017 valuation of land and buildings for Ashmore Tavern was based upon directors' internal valuation. The June 2017 valuation for the hotel component of Aspley Shopping Centre (Aspley Central Tavern) was based upon an independent valuation made by members of the Australian Property Institute in February 2017.

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.

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 $700 (2016: $375 to $840)
- capitalisation rate for each property of 8.75% to 8.75% (2016: 8.75% to 9.25%) (weighted average of 8.75% (2016: 8.75%))
- discount rates ranging from 9.5% to 9.5% (2016: 9.5% to 10.25%) (weighted average of 9.5% (2016: 10.15%))
- perpetual vacancy rates ranging from 2.5% to 3.0% (2016: 2.5% to 3.6%) (weighted average of 2.72% (2016: 2.72%))
- assumed lease term of 5 years (2016: 5 years)

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

- capitalisation rates applied to market EBITDA 11% (2016: 11%)
- market EBITDA of $1,842,500 for the Ashmore Tavern (2016: $1,842,500) and $925,000 for Aspley Central Tavern (2016: $893,000)
- market rent percentages ranging from 40.0% to 45.0% (2015: 40% to 42.5%)

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 EBITDA	The earnings before interest, taxation, depreciation, amortisation, and rent expense determined as achievable for the subject property, having regard to market evidence and trading performance history.

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.

4. Segment information (continued)

2017	Hotel operations $'000	Investment property operations $'000	Total $'000
Revenue			
Total sales revenue	21,301	2,771	24,072
Other revenue	553	-	553
Total segment revenue	21,854	2,771	24,625
Inter-segment revenue			(396)
Interest revenue			3
Total revenue			24,232
Results			
Segment results	1,557	1,648	3,205
Finance expenses			(322)
Unallocated revenue less unallocated expenses			(874)
Net loss on impairment of land held for resale			-
Fair value adjustment on investment properties			80
Profit before income tax			2,089
Income tax expense			(625)
Profit for the year			1,464
Assets			
Segment assets	15,366	33,971	49,337
Unallocated assets			345
Total assets			49,682
Depreciation and amortisation	678	343	1,021
Unallocated			3
Total depreciation and amortisation			1,024

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 $396,000 in the current year relates to Aspley Central Tavern rent and outgoings (2016: $385,000).

4. Segment information (continued)

2016	Hotel operations $'000	Investment property operations $'000	Total $'000
Revenue			
Total sales revenue	20,130	2,863	22,993
Other revenue	521	-	521
Total segment revenue	20,651	2,863	23,514
Inter-segment revenue			(385)
Interest revenue			10
Total revenue			23,139
Results			
Segment results	1,381	1,930	3,311
Finance expenses			(355)
Unallocated revenue less unallocated expenses			(899)
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

5. Revenue

	2017 $'000	2016 $'000
Sale of goods	12,911	12,558
Gaming revenue	8,390	7,572
Rental income and recoveries from investment properties	2,375	2,478
	23,676	22,608
Interest	3	10
Commissions	330	289
Other	223	232
Total revenue	24,232	23,139

6. Expenses

	2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
Cost of goods sold	8,819	8,620
Depreciation		
- Buildings	495	390
- Plant and equipment	526	453
Total depreciation	1,021	843
Amortisation – intangibles	3	2
Finance costs		
- Interest and finance charges paid/payable	322	355
Operating lease rentals – minimum lease payments	355	351
Defined contribution superannuation expense	316	304

7. Income tax

(a) Income tax expense

	2017 $'000	2016 $'000
Current tax	761	525
Deferred tax	(136)	316
Over provision in prior years (deferred tax)	-	(32)
Over provision in prior years (current tax)	-	52
	625	861

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

	2017 $'000	2016 $'000
Profit before income tax - continuing operations	2,089	2,837
Income tax at the Australian tax rate of 30% (2016: 30%)	627	851
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-taxable items	(2)	(10)
Over provision in prior years (current and deferred tax)	-	20
Income tax expense	625	861

7. Income tax (continued)

(c) Deferred income tax at 30 June relates to the following:

	2017 $'000	2016 $'000
Investment properties	(1,985)	(370)
Property, plant and equipment	(1,585)	(1,578)
Employee benefits	104	107
Accrued expenses	15	10
Sundry items	30	22
Tax losses	598	451
Net deferred tax assets	(2,823)	(1,358)

	2017 $'000	2016 $'000
Movement in deferred tax:		
At 1 July	(1,358)	(419)
Charged to profit or loss	136	(316)
Over provision in prior years	-	32
Credited to equity	2	-
Charged to other comprehensive income	(1,603)	(655)
At 30 June	(2,823)	(1,358)

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

	2017 $'000	2016 $'000
Gain on revaluation of land and buildings	(1,603)	(655)

(e) Amounts relating to items recognised directly in equity

	2017 $'000	2016 $'000
Share issue costs	2	-

(f) Tax consolidation legislation

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

	2017 $'000	2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	532	522

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.

8. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	838	1,512

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

9. Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	151	86
Other receivables	153	97
	304	183

Impaired trade receivables
The group has no impaired receivables as at 30 June 2017 (2016: $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

	2017 $'000	2016 $'000
Finished goods – at cost	1,491	1,272
Land held for resale (Home Hill)	-	182
	1,491	1,454

Inventories recognised as expense during the period ended 30 June 2017 amounted to $8,819,000 (2016: $8,620,000).

On 27 October 2016, the Group disposed of Home Hill land held for resale at its carrying value.

11. Other current assets

	2017 $'000	2016 $'000
Short term deposits	44	96
Prepayments	334	341
	378	437

12. Property, plant and equipment

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2016				
Opening net book amount	8,350	15,469	1,038	24,857
Revaluation increment	740	1,447	-	2,187
Additions	-	502	826	1,328
Straight-line adjustments and lease incentives	-	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
Year ended 30 June 2017				
Opening net book amount	9,090	17,099	1,411	27,600
Revaluation increment	-	5,342	-	5,342
Additions	-	66	594	660
Disposals	-	-	(11)	(11)
Straight-line adjustments and lease incentives	-	(141)	-	(141)
Depreciation charge	-	(495)	(526)	(1,021)
Closing net book amount	9,090	21,871	1,468	32,429
At 30 June 2017				
Cost or fair value	9,090	22,072	2,704	33,866
Accumulated depreciation	-	(201)	(1,236)	(1,437)
Net book amount	9,090	21,871	1,468	32,429

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 2017 (2016: Nil).

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:

	2017 $'000	2016 $'000
Freehold land		
Cost or deemed cost	7,426	7,426
Net book amount	7,426	7,426
Buildings		
Cost or deemed cost	13,068	13,068
Accumulated depreciation	(1,517)	(961)
Net book amount	11,551	12,107

13. Investment properties

	2017 $'000	2016 $'000
At fair value		
At beginning of year	13,700	12,600
Capitalised expenditure	11	277
Straight line rentals and lease incentives	(91)	(25)
Net gain from fair value adjustment	80	848
At end of year	13,700	13,700

(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	Acquisition Date	Cost Including Additions*	Last Independent Valuation		Book Value 2017	Book Value 2016
		$'000	Date	$'000	$'000	$'000
Aspley Arcade Shopping Centre	Jun 2007	13,000	August 2016	13,700	13,700	13,700
					13,700	13,700

* excluding acquisition costs

(b) 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:

	2017 $'000	2016 $'000
Within one year	1,892	2,030
Later than one year but not later than five years	5,309	4,368
Later than five years	936	991
Total	8,137	7,389

(c) Non-current assets pledged as security

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

13. Investment properties (continued)

(d) Amounts recognised in profit or loss for investment properties

	2017 $'000	2016 $'000
Rental income and recoveries from investment properties	2,375	2,478
Direct operating expenses from properties that generated rental income	(780)	(674)
	1,595	1,804

14. Intangible assets

	2017 $'000	2016 $'000
Gaming authorities at cost	478	478
Hotel licenses at cost	104	104
Accumulated amortisation	(40)	(37)
Net carrying value	64	67
Net carrying value of intangibles	542	545

	Hotel Licences $'000	Gaming Authorities $'000	Total $'000
Year ended 30 June 2016			
Opening net book amount	69	478	547
Amortisation charge	(2)	-	(2)
Closing net book amount	67	478	545
Year ended 30 June 2017			
Opening net book amount	67	478	545
Amortisation charge	(3)	-	(3)
Closing net book amount	64	478	542

15. Trade and other payables

	2017 $'000	2016 $'000
Trade payables	1,607	2,033
Other payables and accruals	681	911
	2,288	2,944

16. Current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	348	357

17. Non-current liabilities – Borrowings

	2017 $'000	2016 $'000
Commercial bills – secured	-	8,734
Commercial loans – secured	7,765	-
	7,765	8,734

(a) Assets pledged as security

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

(i) Registered mortgage debenture over the assets and undertakings of the group;

(ii) Unlimited fully interlocking guarantee by Eumundi Group Limited, Eumundi Property Group Pty Ltd and Eumundi Group Hotels Pty Ltd; and

(iii) First registered mortgage over the property, plant and equipment and investment properties of the group.

As such all assets are pledged as security for borrowings.

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	2017 $'000	2016 $'000
Total facilities		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facilities	-	12,000
Commercial loan facilities	12,000	-
	12,500	12,500
Used at balance date		
Bank overdraft	-	-
Finance lease liabilities	-	-
Commercial bill facilities *	-	8,750
Commercial loan facilities **	7,720	-
	7,720	8,750
Unused at balance date		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facilities	-	3,250
Commercial loan facilities	4,280	-
	4,780	3,750

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

** Used at balance date comprises the face value of loans drawn. The amount recognised in the statement of financial position includes accrued interest.

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 (2016: $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.

Finance Facilities

During the 2017 year the Group replaced commercial bill facilities with commercial loan facilities.

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

Commercial bill facilities were utilised in the prior year. These bills were drawn for a fixed amount, interest was payable in advance from the drawn amount, rates were fixed for each 90 day roll period , and the full amount repaid at the end of each roll period.

The finance facilities are subject to annual review. Interest is at variable rates. All the finance facilities expire on 31 March 2019. Further details are outlined below.

Amount drawn (Face Value)		Interest rate		Repayment terms
2017 $'000	2016 $'000	2017 %	2016 %	
1,720	2,300	3.42	3.40	Interest only until expiry
3,000	2,000	3.39	3.40	Interest only until expiry
3,000	2,050	3.39	3.40	Interest only until expiry
-	2,400	3.44	3.41	Interest only until expiry
7,720	8,750			

Finance lease liabilities

The group has a lease finance facility of $400,000 (2016: $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

Share capital	2017 Number of shares	2016 Number of shares	2017 $'000	2016 $'000
Fully paid ordinary shares	36,723,117	354,380,540	21,812	20,733

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

Movements in share capital

	Number of Shares	Issue Price ¢	$'000
Balance at 1 July 2015	328,464,734		19,192
Shares issued under the DRP	14,764,380	5.89	869
Shares issued under the DRP	11,151,426	6.05	674
Share issue costs (net of tax)	-	-	(2)
Balance at 30 June 2016	354,380,540		20,733
Shares issued under the DRP	12,850,600	8.43	1,083
Share issue costs (net of tax)	-	-	(4)
1 for 10 share consolidation	(330,508,023)	-	-
Balance at 30 June 2017	36,723,117		21,812

On 19 October 2015, the company issued 14,764,380 ordinary shares at a price of 5.89 cents per share (58.9 cents per share on an adjusted basis) 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 (60.5 cents per share on an adjusted basis) under the company's DRP, in respect of a fully franked interim dividend announced on 24 February 2016.

On 11 October 2016, the company issued 12,850,600 ordinary shares at a price of 8.43 cents per share (84.3 cents per share on an adjusted basis) under the company's Dividend Reinvestment Plan (DRP) in respect of a fully franked final dividend announced on 30 August 2016.

At the Annual General Meeting on 18 November 2016 shareholders approved a 1 for 10 share consolidation which was completed on 29 November 2016 resulting in a 330,508,023 reduction in the number of shares. As a result, issued share capital decreased from 367,231,140 pre-consolidation shares to 36,723,117 shares as 30 June 2017.

Options

As at 30 June 2017, there were no options to purchase ordinary shares in the parent entity (2016: Nil).

18. Contributed equity (continued)

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 2017 and 30 June 2016 were as follows:

	2017 $'000	2016 $'000
Total borrowings	10,053	11,678
Less: cash and cash equivalents	(838)	(1,512)
Net debt	9,215	10,166
Total equity	36,221	31,935
Total capital	45,436	42,101
Gearing ratio	20.3%	24.2%

Eumundi Group Limited has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 financial years.

19. Reserves and retained profits

(a) Reserves	2017 $'000	2016 $'000
Property, plant and equipment revaluation surplus	8,975	5,236
Movements in reserves:		
Property, plant and equipment revaluation surplus		
Balance at the beginning of the year	5,236	3,704
Gain on revaluation of freehold land and buildings (net of tax) *	3,739	1,532
Balance at the end of the year	8,975	5,236

* Gross gain before tax of $5,342,000 (2016: gain of $2,187,000)

(b) Retained profits

	2017 $'000	2016 $'000
Retained profits at the beginning of the year	5,966	5,730
Profit for the year attributable to owners of the company	1,464	1,976
Dividend paid to shareholders	(1,996)	(1,740)
Retained profits at the end of the year	5,434	5,966

(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:

	2017 $'000	2016 $'000
Fully franked (at 30%) final dividend of 3.3* cents per fully paid ordinary share (on an adjusted basis) paid on 14 October 2016 (see note 18) (2016: 3.0* cents per share on an adjusted basis)	1,169	985
Fully franked (at 30%) interim dividend of 2.25 cents per fully paid ordinary share paid on 13 March 2017 (see note 18) (2016: 2.2 cents per share on an adjusted basis)	827	755
	1,996	1,740
Proposed fully franked (at 30%) final dividend of 3.25 cents per fully paid ordinary share payable on 15 September 2017 (2016: 3.3* cents per share on an adjusted basis) not yet brought to account in the financial statements	1,194	1,169

* prior period has been restated to reflect the consolidation of the company's issued capital on the basis of 1 for 10 every shares

21. Parent entity financial information

(a) Summary financial information

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

	2017 $'000	2016 $'000
Statement of financial position		
Current assets	-	-
Non-current assets	23,806	22,589
Total assets	23,806	22,589
Current liabilities	237	103
Total liabilities	237	103
Shareholders' equity		
Issued capital	21,812	20,733
Retained earnings	1,757	1,753
	23,569	22,486
Profit for the year	2,000	2,452
Total comprehensive income	2,000	2,452

(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

	2017 $	2016 $
Short-term employee benefits	353,461	347,063
Long-term benefits	3,793	6,886
Post-employment benefits	28,606	26,589
	385,860	380,538

(b) Transactions with related parties

	2017 $	2016 $
Dividends paid to key management personnel	957,912	830,358
Subscription for new ordinary shares by key management personnel as a result of:		
- the reinvestment of dividends (note 18)	560,437	830,358
- paid in cash (note 20)	397,475	-

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, there were no transactions with related parties. 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 entity at 30 June 2017 (30 June 2016: Nil).

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:

	2017 $	2016 $
Audit and review of financial reports	63,500	60,000
Tax compliance services	8,000	7,750
	71,500	67,750

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.

	2017 $'000	2016 $'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:		
Within one year	199	255
Later than one year but not later than five years	177	378
Greater than five years	-	-
	376	633

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*	
			2017	2016
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.

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

	2017 $'000	2016 $'000
Profit for the year	1,464	1,976
Depreciation and amortisation	1,024	845
Straight line rental adjustment	136	(46)
Rent incentive	96	77
Net gain on fair value adjustment of investment properties	(80)	(848)
Net loss on sale of plant and equipment	2	-
Net loss (Reversal) of impairment loss	-	68
Changes in operating assets and liabilities (net of assets disposed):		
(Increase)/decrease in:		
Trade and other receivables	(121)	28
Inventories	(219)	(75)
Other current assets	59	(42)
Prepaid interest	61	-
Increase/(decrease) in:		
Trade and other payables	(693)	361
Income tax payable	134	(144)
Deferred tax liability*	(136)	284
Employee benefits	(9)	51
Cash flows from operating activities	1,718	2, 535

* 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

	2017	2016
Total basic & diluted earnings per share attributable to owners of the company	4.03¢	5.77*¢

* Prior period earnings per share has been restated to reflect the consolidation of the company's issued capital on the basis of 1 for every 10 shares

(b) Weighted average number of shares used as the denominator

	Number of shares	
	2017	2016
Weighted average number of ordinary shares used in calculating basic earnings per share	36,353,439	34,204,198*
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	36,353,439	34,204,198*

* Prior period average number of shares has been restated to reflect the consolidation of the company's issued capital on the basis of 1 for every 10 shares

There are no dilutive potential ordinary shares.