

Annual Report 2013

30 June 2013



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Chairman's Review

Chairman's Review

On behalf of Directors, I present the Annual Report of Eureka Group Holdings Limited (the "Group", "Company", or "EGH") for the year ended 30 June 2013.

The Group reported EBITDA for FY 2013 of \$865,296 (FY 2012: \$1,632,463) and net profit after tax of \$74,932 (FY 2012: \$686,488). This reduction is specifically due to one-off costs associated with applying to become an aged care provider, the impact of termination of a management contract noted below and the delay in settlement of property sale affecting commission income.

Key Business Drivers

With the business model now simplified, earnings growth and value of management rights for the existing portfolio is driven by unit occupancy, services uptake and length of management rights contract. During the year, overall occupancy increased from 81% to 89%, which is a pleasing result. We believe that with limited rental accommodation available for seniors in Australia, occupancy should continue to increase in our villages. Services income including catering fees also increased by 51% during the year in villages we continue to manage. Continuing this trend of increased occupancy and services uptake is vital to profit growth in 2014.

The Group manages 29 Seniors Rental Villages with a total number of 1,763 units. The weighted average term of these management agreements is 9.5 years. We strive each year to maintain or increase this average, so as to maintain or increase the value of Management Rights.

Notable Events

FY 2013 was a period of stability from a management perspective for the Group. For the large part, management were able to focus on the long term management contracts in place. In September 2012, a large management contract called Young Village Estates was terminated. As previously announced, this contract provided over 50% of FY 2012 revenue, but relatively modest EBITDA. Termination of this contract has led to lower revenue in FY 2013 and costs relating to termination lowered group EBITDA.

In respect of the longer term growth of the business during 2013, the Group has two major projects: one which is on hold and the other which is proceeding well for the long term benefit of the Company. The project on hold is the application made by the Company to become an approved service provider under the Aged Care Act. The Company has expensed \$374,804 during the year on this project. The money spent has significantly tightened the Company's policies and procedures and assisted with the other major project; however, at this time, the Company is not an approved service provider and is unlikely to be one in the short term. As a Board, we decided that until we can grow the company further, we are unable to justify the ongoing cost of this project. The other major project is in relation to becoming accredited to provide Level 3 Supported Living Services under the Residential Services Accreditation Act. This project is virtually complete and whilst we await confirmation from the Queensland Government, from 1 July 2013, we are providing Level 3 Services to village residents. Providing such services will give the Group certain cost exemptions which will improve profitability of individual villages and provide some further revenue streams. As the project completes for each village, there is an immediate profit increase due to government subsidies for Level 3 accredited providers.

During the year, the Group continued to improve its balance sheet. Bank debt decreased from \$3,599,000 to \$3,309,000 and there was a significant reduction of overall liabilities. To further improve the balance sheet, the Company has determined that it will sell three small management rights, where the company owns the managers unit on site. These villages, whilst profitable do not cover the cost of capital for the Company. Sale of these rights is expected to generate cash over \$1,700,000 and significantly lower bank debt without lowering net profit after tax. One of these three rights is under a conditional contract for \$515,000. If this contract goes unconditional, it will settle in October 2013. The others are currently on the market, with sales expected in early 2014.

Value of Management Rights

The Board continues to engage leading management rights agent Resort Brokers Pty. Ltd. to review the valuation methodology of the carrying values of the various management rights owned by the Group. The review undertaken by Resort Brokers indicates that on an overall basis the management rights owned by the Group are valued at significantly higher than they are recorded in the Consolidated Statement of Financial Position. Under AASB 138 the group is unable to revalue these rights.

Outlook

With continuing stable management and provision of Level 3 Supported Living Services, the Company expects profit improvement in the business in 2014. As part of its growth strategy, the Company is currently undertaking Due Diligence on the Epic Group of Companies and it will announce the results of this exercise in due course.



Lachlan McIntosh
Chairman

Directors' Report

The Directors present their report on Eureka Group Holdings Ltd and controlled entities ("EGH", the "Group", the "Company" or the "Consolidated Entity") for the year ended 30 June 2013.

1. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were:

- Provision of specialist property asset management services targeting the management of all asset classes of retirement accommodation;
- Providing accommodation and tailored services to a broad market of retiree residents with discretionary and non-discretionary spend characteristics; and
- Project Management and consulting.

2. REVIEW OF OPERATIONS AND RESULTS

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

Performance Measure		Consolidated	
		30 June 2013	30 June 2012
Net profit		74,932	686,488
Add back:	Interest	490,683	668,369
	Tax	-	-
	Depreciation	88,693	99,627
	Amortisation	210,988	177,979
Earnings before interest, tax, depreciation and amortisation (EBITDA)		865,296	1,632,463

The reduction in EBITDA of \$767,167 was represented by:

- one-off costs (\$374,804) associated with being an aged care service provider;
- the termination of the Young Village Estates management contract resulting in a decrease in revenue of \$4,210,637 and a corresponding drop in expenses of \$3,983,380 compared to FY2012. Management fee revenue charged for the management of the Young Village Estates also decreased by \$264,048;
- the delay of a property sale affecting commission income;

Financing costs reduced during the 30 June 2013 year as a result of several official cash rate reductions flowing through to debt facility rates and repayments being applied to debt reduction.

The Group continues to improve its financial position. Bank debt decreased from \$3,599,000 to \$3,309,000. Also included in current liabilities are amounts owing to shareholders amounting to \$1,036,643. The Group continues to retain the support of shareholder loan providers to the extent that the group will work within its cash flow capabilities for repayment of its outstanding debts.

To further improve the balance sheet, the Group has determined that it will sell three small management rights, where the group owns the managers unit on site. These villages, whilst profitable do not cover the cost of capital for the Company. Sale of these rights is expected to generate cash of over \$1,700,000 and significantly lower bank debt without lowering net profit after tax. One of these three rights is under a conditional contract for \$515,000. If this contract goes unconditional, it will settle in October 2013. The others are currently on the market, with sales expected in early 2014.

The Group operates in a steady industry providing essential services to Australia's senior population. During the period overall occupancy levels across the villages increased as well as services income at villages that the group continues to manage. Given current and forecast demographic dynamics, the Company considers its service to remain in demand over a long period of time.

Overall, the board feels that continued focus will lead to a successful 2014 financial year.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes to the operations of the Group in 2013 apart from the termination of the Young Village Estate portfolio.

4. DIVIDENDS

No dividends have been paid during the year (2012: \$Nil). No dividends for FY 2013 have been recommended at the date of this report.

5. CAPITAL STRUCTURE

The number of ordinary shares on issue at 30 June 2013 was 75,632,932 (2012: 73,092,932).

Directors' Report

6. SHARE CAPITAL, REDEEMABLE CONVERTIBLE NOTES AND SHARE OPTIONS

On 30 November 2011 (at the Annual General Meeting) shareholders approved the issue of 530,000 secured and 773,000 unsecured redeemable convertibles notes of \$1.00 each (Notes) with 6 2/3 attaching Options (Options) for each note – or a total of 8,691,010 options.

The Notes are convertible into shares at the lower of \$0.08 or 90% of the VWAP during the last 5 business days on which trading in share on the ASX occurred prior to but not including the date of issue of the conversion notice.

The Notes attract an interest rate of 12.5% per annum and mature at the second anniversary of issue.

The Options are exercisable at \$0.15 and expire at the second anniversary of issue.

As at 30 June 2012, the Group had 20,000 secured notes and 120,000 unsecured notes and all of the issued options outstanding.

On 1 August 2012 EGH issued 225,000 unsecured convertible notes of \$1.00 each. The Notes are convertible into shares at \$0.10.

The Notes attract an interest rate of 12.50% per annum and mature on 1 February 2014.

As at 30 June 2013 the Group had 225,000 unsecured notes outstanding.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In 2014, the Group must grow. Whilst it has a stable base, and earnings for 2014 look like improving materially from 2013, the Group is at a point where it must grow. The Group is looking at a number of opportunities, including the Epic Group, which has been announced to the market previously.

The Group is also exploring the possibility of acquiring a number of rental villages. It is in preliminary negotiations on 3 villages with the aim of significantly growing its tenanted income base during the year.

The application of Level 3 supported living services is also expected to increase occupancy and lower GST and Land Tax in the upcoming period.

The Group will continue to seek to improve our balance sheet through consistent earnings and continue to seek to improve our key drivers of occupancy, services take up, and contract length. With a stable management team focused on a clear plan to increase occupancy and service uptake we feel we can grow the earnings of the Group substantially in 2014.

8. SUBSEQUENT EVENTS

The Company has executed a contract for sale of its manager's unit and rights at Stafford for \$515,000. This contract is expected to settle in October 2013.

Other than the above mentioned items, there are no further material subsequent events.

9. ENVIRONMENTAL REGULATION

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

10. INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

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

During the financial year the consolidated entity has paid a premium of \$19,019 for Directors' and Officers' liability for current and former Directors and Officers.

11. NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board,

Directors' Report

including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. DIRECTORS AND MEETINGS ATTENDED

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

Name	Director's Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Lachlan McIntosh	7	7	3	3	1	1
Paul Fulloon	7	7	3	3	1	1
Greg Rekers	7	7	-	-	-	-
Kerry Potter	7	7	-	-	-	-
Nirmal Hansra	7	7	3	3	1	1

14. INFORMATION ON DIRECTORS

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

LACHLAN MCINTOSH – NON EXECUTIVE CHAIRMAN

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

Other listed company directorships in the last 3 years: Industree Ltd (from May 2004 to December 2012), New Guinea Gold Corporation (since April 2013), Allied Consolidated Ltd (from July 2006 to July 2012)

GREG REKERS – EXECUTIVE DIRECTOR AND HEAD OF REAL ESTATE

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

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

Other listed company directorships in the last 3 years: nil

KERRY POTTER – EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER

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

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

Other listed company directorships in the last 3 years: nil

NIRMAL HANSRA – NON EXECUTIVE DIRECTOR

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

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

Directors' Report

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

Other listed company directorships in the last 3 years: nil

PAUL FULLOON – NON EXECUTIVE DIRECTOR

Paul Fulloon is an Executive Director of Flex Accounting Pty Ltd a Brisbane based consultancy specialising in the restructuring of small businesses.

He holds an Advanced Diploma of Business (Accounting) from Victoria University of Technology. He has been the Accountant/Company Secretary and Director a number of public corporations and has been a member of statutory committees.

Other listed company directorships in the last 3 years: nil

15. COMPANY SECRETARY

JAMES FAY - COMPANY SECRETARY (resigned 24 April 2013)

James was appointed as Company Secretary in July 2009. James has a Bachelor of Financial Administration degree and is a member of CPA Australia.

James has over 25 year experience in public practice and commercial accounting roles. James is also Managing Director of Fay & Redman Pty Ltd Certified Practising Accountants.

TROY NUNAN - COMPANY SECRETARY

Troy was appointed as Company Secretary in April 2013. Troy has a Bachelor of Business degree and is a member of CPA Australia. Troy has over 15 years' experience in commercial accounting roles. Troy is also the company's Chief Financial Officer.

16. KEY MANAGEMENT PERSONNEL

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

SHARON ALDERWICK – GENERAL MANAGER

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

TROY NUNAN – CHIEF FINANCIAL OFFICER

Troy Nunan has a Bachelor of Business degree and is a member of CPA Australia. He has experience in a range of industries including banking and finance, manufacturing, construction and professional services.

Troy has worked for listed, unlisted and private companies for over 15 years. Troy brings to our company substantial experience in process improvement and implementing organisational change.

17. INTEREST IN SHARES AND OPTIONS

	Ordinary Shares	Options over ordinary shares
Lachlan McIntosh	10,308,336	1,000,500
Paul Fulloon	-	-
Nirmal Hansra	400,000	133,400
Greg Rekers*	2,653,940	800,400
Kerry Potter*	2,649,774	800,400
Total Directors	16,012,050	2,734,700
Greg Rekers*	2,653,940	800,400
Kerry Potter*	2,649,774	800,400
Sharon Alderwick	347,657	-
Troy Nunan	-	-
Total Executives	5,651,371	1,600,800

*these are the same holdings

Directors' Report

18. REMUNERATION REPORT (AUDITED)

(a) KEY MANAGEMENT PERSONNEL

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

Name	Role	Period in role
Directors		
Lachlan McIntosh	Non-Executive Director	20/07/09 – ongoing
Paul Fulloon	Non-Executive Director	05/12/08 – ongoing
Nirmal Hansra	Non-Executive Director	24/04/2012 – ongoing
Greg Rekers	Executive Director	24/04/2012 – ongoing
Kerry Potter	Executive Director	24/04/2012 – ongoing
Executives		
Greg Rekers	Head of Real Estate	17/05/11 – ongoing
Kerry Potter	Chief Operating Officer	17/05/11 – ongoing
Sharon Alderwick	General Manager	17/05/11 – ongoing
Troy Nunan	Chief Financial Officer	02/04/2012 – ongoing

(b) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility and the Company's financial performance. Emoluments comprise salaries, bonuses, and contributions to superannuation funds, options and shares. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are compared in relationship between the benefits contained in the employment contracts and the Company's performance in the 2013 financial year.

Remuneration for certain individuals is directly linked to performance of the Group. Bonus payments are dependent on key criteria, being EBITDA and moving the Group loss making position to a profit position. During the 2012 financial year this was achieved.

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

(c) REMUNERATION CONSULTANTS

The Group did not engage any remuneration consultants during the 2013 financial year.

Directors' Report

(d) REMUNERATION FOR THE YEAR

Remuneration provided to Directors and executives during the financial year is shown in the following table:

	Year ending 30 June 2013								
	Short Term		Post Employment	Share Based	Other Long Term	Total	% of Bonus that was paid	% of Bonus or grant that was forfeited	Performance related %
	Salary & fees (Fixed) \$	Bonus \$	Super-annuation \$	Shares \$		\$			
Directors									
Lachlan McIntosh	55,000	-	-	-	-	55,000	-	-	-
Paul Fulloon	18,334	-	-	-	-	18,334	-	-	-
Nirmal Hansra	30,000	-	-	-	-	30,000	-	-	-
Greg Rekers	-	-	-	-	-	-	-	-	-
Kerry Potter	-	-	-	-	-	-	-	-	-
Total	103,334	-	-	-	-	103,334	-	-	-
Greg Rekers	289,035	30,000	-	-	-	319,035	33%	67%	37%
Kerry Potter	226,198	30,000	-	-	-	256,198	33%	67%	22%
Sharon Alderwick	116,923	30,000	13,223	-	-	160,146	100%	-	18%
Troy Nunan	110,000	-	9,900	-	-	119,900	-	-	-
Total	742,156	90,000	23,123	-	-	855,279	-	-	-

	Year ending 30 June 2012								
	Short Term		Post Employment	Share Based	Other Long Term	Total	% of Bonus that was paid	% of Bonus or grant that was forfeited	Performance related %
	Salary & fees (Fixed) \$	Bonus \$	Super-annuation \$	Shares \$		\$			
Lachlan McIntosh	60,000	-	-	-	-	60,000	-	-	-
Paul Fulloon	19,867	-	-	-	-	19,867	-	-	-
David Rosenblum*	13,323	-	-	-	-	13,323	-	-	-
Nirmal Hansra**	5,750	-	-	-	-	5,750	-	-	-
Greg Rekers	-	-	-	-	-	-	-	-	-
Kerry Potter	-	-	-	-	-	-	-	-	-
Total	98,940	-	-	-	-	98,940	-	-	
Executives									
Greg Rekers	206,932	-	-	-	-	206,932	-	100%	13%
Kerry Potter	206,932	-	-	-	-	206,932	-	100%	13%
Sharon Alderwick	103,845	10,000	10,246	-	-	124,091	50%	50%	3%
Troy Nunan***	27,500	-	2,475	-	-	29,975	-	100%	-
Total	545,209	10,000	12,721	-	-	567,930	-	-	

* The following people ceased to be key management personnel during the year.

** Nirmal Hansra appointed director on 24th April 2012.

*** Troy Nunan commenced employment on 2nd April 2012.

Directors' Report

(e) SERVICE AGREEMENTS

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

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

Greg Rekens (*Executive Director & Head of Real Estate*)

Agreement Commenced 24 April 2012

Term of the Agreement:

The Agreement may be terminated by the Company after the first anniversary of the contract provided that the Company pays Mr Rekens a lump sum equal to the value of the salary package for one year. The agreement may also be terminated by the Company in the event of grave misconduct.

Details:

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

Kerry Potter (*Executive Director & Chief Operations Officer*)

Agreement Commenced 24 April 2012

Term of the Agreement:

The Agreement may be terminated by the Company after the first anniversary of the contract provided that the Company pays Mr Potter a lump sum equal to the value of the salary package for one year. The agreement may also be terminated by the Company in the event of grave misconduct.

Details:

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

Troy Nunan (*Chief Financial Officer*)

Agreement Commenced 9 March 2012

Term of the agreement:

The agreement may be terminated by either the Company or Mr Nunan with one month's notice or by the Company in the event of a material breach of misconduct by Mr Nunan.

Details:

Mr Nunan's remuneration comprises a salary of \$110,000 plus superannuation contributions. Mr Nunan's remuneration also contains additional incentives for lowering the costs of operating the business. This incentive will be paid if cost reduction targets are met to a maximum of \$30,000. Mr Nunan is responsible for the finance division and the accounting and finance functions of the Company and its associated companies as well as act as Company Secretary. The directors believe that the remuneration is appropriate for the duties allocated Mr Nunan. There are no pay-outs upon resignation or termination, outside of industrial regulations.

Sharon Alderwick (*General Manager*)

Agreement Commenced 1 September 2011

Term of the Agreement:

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

Details:

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

Directors' Report

(f) RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

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

	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)
Revenue	10,873,669	15,593,470	14,099,699	11,247,998	18,702,665
NPBT	74,932	686,488	(1,242,627)	(1,061,846)	(7,023,941)
EPS	0.10	1.37	(3.51)	(0.56)	(5.53)
Share price at year end	0.065	0.10	0.09	0.13	0.12
DPS	0.00	0.00	0.00	0.00	0.00

(g) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

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

The following fees have applied:

Base fees	\$
-Chair	55,000
-Other non-executive directors	38,334

This concludes the remuneration report, which has been audited.

19. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C is included in this report on page 16.

20. DECLARATION

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



Lachlan McIntosh

Chairman

Dated in Brisbane this 30th day of September, 2013

Security Holder Information

Distribution of Securities as at 6 September 2013

Number of Securities	No of Shareholders
1 – 1,000	226
1,001 – 5,000	99
5,001 – 10,000	21
10,001 – 100,000	78
100,001 and over	77
Total Security Holders	501

Marketable Shares

There were 350 holders of less than a marketable parcel of 5,000 shares holding a total of 538,787 shares.

Voting Rights

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

Twenty Largest Ordinary Shareholders as at 6 September 2013

	No of Ordinary Shares Held	% of Issued Share Capital
CO-INVESTOR CAPITAL PARTNERS PTY LTD	6,986,471	9.24
WAVET FUND NO 2 PTY LTD	6,263,567	8.28
KATHLAC PTY LIMITED	5,724,169	7.57
BYDAND CAPITAL PTY LTD	5,159,767	6.82
NAVIGATOR PROPERTY GROUP P/L	4,635,428	6.13
22 CAPITAL PTY LTD	4,425,000	5.85
M R & S J GORDON PTY LTD	3,342,378	4.42
QFM NOMINEES PTY LTD	2,808,024	3.71
JELLYFISH GLOBAL INVESTMENTS	2,500,000	3.31
DEALCITY PTY LIMITED	2,290,995	3.03
ALISTER WRIGHT	1,984,309	2.62
WAYNE BLOOMER	1,494,314	1.98
DSCC HOLDINGS PTY LTD	1,243,442	1.64
MARBLE TOWERS PTY LTD	1,190,584	1.57
ESCOR INVESTMENTS PTY LTD	1,120,160	1.48
VBS INVESTMENTS PTY LTD	1,107,945	1.46
MR ROBERT JAMES HALLINAN & MRS FAYE ELIZABETH HALLINAN	1,012,154	1.34
MR WILLIAM HENRY SUMMERS & MRS DIANORA SUMMERS	1,000,000	1.32
BRAMARJOD SUPTER PTY LTD	1,000,000	1.32
CONTEMPLATOR PTY LTD	800,000	1.06
Total	56,088,707	74.15

Largest Option Holders at 6 September 2013

	No of Options Held	% of Issued Options
NAVIGATOR PROPERTY GROUP P/L	1,600,800	18.42%
Total	1,600,800	18.42%

Securities in which Directors have a Relevant Interest at 6 September 2013

	Ordinary Shares	Options
Lachlan McIntosh	10,308,336	1,000,500
Paul Fulloon	-	-
Nirmal Hansra	400,000	133,400
Greg Rekers	2,653,940	800,400
Kerry Potter	2,649,774	800,400
Total	16,012,050	2,734,700

Corporate Governance

INTRODUCTION

This statement outlines the key corporate governance practices that are in place for the Group and to which both the Board collectively and the Directors individually are committed. In formulating and adopting its corporate governance principles, the Directors have adopted and complied with ASX Corporate Governance Principles and Recommendations, 2nd edition.

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Functions and Responsibilities of the Board

The Board will at all times fulfill its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, and in the interests of Shareholders, its employees and those with whom it deals. The Board of Directors is responsible for the review and approval of the strategic direction of EGH and for the oversight and monitoring of its business and affairs. In addition, it is responsible for those matters reserved to it by law and reserves to itself the following matters and all power and authority in relation to those matters:

- Oversight of the Group including its control and accountability systems;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Monitoring Senior Management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- Approving and monitoring financial and other reporting;
- Performance of investment and treasury functions;
- The overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

The composition of the Board is determined according to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business (See Director Profiles);
- There must be at least four Directors and this may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- The Chairman must be a non-executive Director who is also Independent;
- At least half of the Board must be non-executive Directors and at least two of whom must also be Independent;

The composition of the current board is slightly different to the above principles and is expected to remain so during its consolidation period. The board has appointed Lachlan McIntosh as Non-executive Chairman. Lachlan is a non-executive Director but is not independent. The Board has taken into account the fact Lachlan specialises in corporate finance, corporate turnarounds and restructurings and mergers and acquisitions; and

- The Group has two Independent Directors in Paul Fulloon and Nirmal Hansra and three non-executive Directors out of a total of five.

Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees

The Board may establish Committees to assist it in carrying out its function and for its effective and efficient performance, and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements. Best practice recommendations by the ASX recommend the establishment of formal Audit, Remuneration and Nomination Committees; the responsibilities normally delegated to the Remuneration and Nomination committees are included in the charter of the Board.

Corporate Governance

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards and Values

All Directors and Officers of EGH must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, act in accordance with the interests of Shareholders, staff, clients and all other stakeholders of EGH. The Directors must comply with the Code of Ethics in the exercise of their duties.

The Board has adopted a Diversity Policy that outlines the objectives in relation to gender, age, cultural background and ethnicity. The policy considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions and processes to include review and appointment of directors. EGH promotes an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that the Group's employees bring to the table encourage creativity and innovation in thought that better represents the Group's diverse customer base, ultimately driving improved business performance.

The policy does not include measureable objectives for achieving gender diversity as the Group has always had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. This is evidenced by the proportion of women employees in the consolidated entity as at 30 June 2013:

Women on the board	0%
Women in senior executive positions	25%
Women in the organisation	53%

Responsibility for diversity has been included in the Board Charter and the Remuneration Charter.

Dealings in Securities

The Constitution permits Directors to acquire Securities in the Company. Company policy prohibits any dealing in, or procuring the dealing in Securities except in accordance with the Code of Conduct for Transactions in Securities.

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Audit Committee is established by the Board to assist it and report to it in relation to the matters with which it is charged with responsibility. The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Audit Committee has responsibility for reviewing the risk management framework and policies within the Group and monitoring their implementation. Details of meetings and members are provided in the annual report.

The Audit Committee currently has three members, Nirmal Hansra (Chairman), Lachlan McIntosh and Paul Fulloon. The blend of experience and skills assembled on the Committee is considered appropriate for EGH at this stage of its development.

The Executive Directors and Chief Financial Officer must each provide a statement to the Board with any financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

The external auditors are selected according to criteria set by the Audit Committee which include most significantly:

- The lack of any current or past connection or association with the Group or with any member of Senior Management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Group;
- Their general reputation for independence and probity and professional standing within the business community; and
- Their knowledge of the industry within which the Group operates.

Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Group.

Corporate Governance

The Board approves an annual budget prepared by Management and reviewed and commented on by the Audit and Risk Committee. Actual results, including profit and loss statement, balance sheet and cash flow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly.

Price Sensitive Information, and generally all information reasonably required by an investor to make an informed assessment of the Group's activities and results, is reported to the ASX in accordance with continuous disclosure requirements, which are considered as a standing agenda item at each regular meeting of the Audit Committee as well as of the Board.

Quality and Integrity of Personnel

The Company's policies are detailed in the Group Operating Policies and Procedures Manuals. Written confirmation of compliance with policies is obtained from all staff members. Formal appraisals are conducted at least annually for all employees.

Investment Appraisal

EGH has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Operating Unit Controls

Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies and Procedures Manuals.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

The Board understands and respects that prompt disclosure of price sensitive information is integral to the efficient operation of the ASX's securities market and complies with guideline of continuous and ongoing disclosure.

PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through the distribution of financial reports, announcements through the ASX, shareholder newsletters and a comprehensive website. Shareholders are encouraged to attend the Annual General Meeting at which the Company's auditors are also present to answer shareholders questions. The Company complies with the Guidelines for this principle.

PRINCIPLE 7

RECOGNISE AND MANAGE RISK

The Board and Management are responsible for the identification of significant business risks and review of the major risks affecting each business segment and development of strategies to mitigate these risks. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

The Executive Directors and Chief Financial Officer must each provide a statement to the Board to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

EGH's current practices in this area will be regularly reviewed to ensure compliance with the Guidelines. Remuneration of Directors and Executives is fully disclosed in the annual report.

The Board has established a Nomination and Remuneration Committee and has adopted a Nomination and Remuneration Committee Charter.

The Nomination and Remuneration Committee:

- is chaired by Nirmal Hansra who is an independent director; and
- consists of all non-executive board members.

Auditor's Independence Declaration



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

As lead auditor of Eureka Group Holdings Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'K L Colyer', is written over a horizontal line.

K L Colyer

Director

BDO Audit Pty Ltd

Brisbane, 30 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	30 June 2013 \$	30 June 2012 \$
Revenue	3	10,873,669	15,539,834
Other Income	3	4,771	53,636
Expenses			
Food, beverage and consumables		7,359,976	8,322,954
Impairment - management rights		34,266	-
Impairment- assets held for sale		37,080	-
Employee benefits expenses		954,659	1,032,886
Finance costs	4	490,683	668,369
Community operating expenses		20,904	328,789
Marketing expenses		4,154	27,906
Consultancy expenses		468,018	627,021
Depreciation & amortisation expenses	4	299,681	277,606
Lease expenses		626,902	713,214
Other expenses		507,185	2,908,237
Total Expenses		10,803,508	14,906,982
Profit before income tax expense from continuing operations		74,932	686,488
Income tax expense / (benefit)	5	-	-
Profit from continuing operations		74,932	686,488
Profit for the period		74,932	686,488
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total Comprehensive Income for the period		74,932	686,488
Basic earnings per share (cents per share)	21	0.10	1.37
Diluted earnings per share (cents per share)	21	0.09	1.35

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2013

		Consolidated	
	Note	30 June 2013 \$	30 June 2012 \$
Current Assets			
Cash and cash equivalents		465,676	895,059
Trade and other receivables	6	530,587	738,233
Inventories	7	41,543	61,098
Assets classified as held for sale	8	1,492,725	2,003,631
Other current assets	9	92,100	209,453
Total Current Assets		2,622,631	3,907,474
Non-Current Assets			
Property, plant and equipment	11	1,290,686	1,050,485
Intangible assets	12	5,467,707	5,475,710
Total Non-Current Assets		6,758,393	6,526,195
Total Assets		9,381,024	10,433,669
Current Liabilities			
Trade and other payables	13	610,420	1,937,135
Other financial liabilities	16	1,761,643	1,427,047
Provisions	14	42,444	73,459
Total Current Liabilities		2,414,507	3,437,641
Non-Current Liabilities			
Other financial liabilities	16	2,949,000	3,299,000
Total Non-Current Liabilities		2,949,000	3,299,000
Total Liabilities		5,363,507	6,736,641
Net Assets		4,017,517	3,697,028
Equity			
Share capital	17	44,176,337	43,930,780
Accumulated losses		(40,158,820)	(40,233,752)
Total Equity		4,017,517	3,697,028

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	30 June 2013 \$	30 June 2012 \$
Cash flows from operating activities			
Receipts from customers		12,139,007	15,873,487
Payments to suppliers & employees		(12,100,344)	(15,285,814)
Interest received		4,771	37,318
Finance costs		(490,683)	(522,925)
Net cash provided (used) in operating activities	18(b)	(447,249)	102,066
Cash flows from investing activities			
Payments for property, plant and equipment		(75,384)	(77,231)
Proceeds from sale of management rights and managers unit		-	543,670
Payments for intangible assets		(72,298)	(240,909)
Net cash provided (used) in investing activities		(147,682)	225,530
Cash flows from financing activities			
Proceeds from other financial liabilities		274,596	366,096
Repayments of other financial liabilities		(290,000)	(400,000)
Proceeds from share issues		189,395	350,000
Payments for share issue costs		(8,443)	(117,380)
Net cash provided (used) in financing activities		165,548	198,716
Net increase (decrease) in cash and cash equivalents		(429,383)	526,312
Cash and cash equivalents at beginning of financial year		895,059	368,747
Cash and cash equivalents at end of financial year	18(a)	465,676	895,059

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		
	Share Capital	Accumulated Losses	Total
	\$	\$	\$
2013			
Balance at 1 July 2012	43,930,780	(40,233,752)	3,697,028
Profit / (Loss) for the year	-	74,932	74,932
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	74,932	74,932
Transactions with owners in their capacity as owners:			
Debt converted into equity	64,605	-	64,605
Shares issued during the year	189,395	-	189,395
Capital raising cost	(8,443)	-	(8,443)
	245,557	-	245,557
Balance at 30 June 2013	44,176,337	(40,158,820)	4,017,517
2012			
Balance at 1 July 2011	42,300,014	(40,920,240)	1,379,774
Profit / (Loss) for the year	-	686,488	686,488
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	686,488	686,488
Transactions with owners in their capacity as owners:			
Debt converted into equity	1,398,146	-	1,398,146
Shares issued during the year	350,000	-	350,000
Capital raising cost	(117,380)	-	(117,380)
	1,630,766	-	1,630,766
Balance at 30 June 2012	43,930,780	(40,233,752)	3,697,028

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1. INTRODUCTION

Eureka Group Holdings Limited (covering the financial statements of Eureka Group Holdings Limited and all of its subsidiaries) ("EGH" or the "Group" or the "Consolidated Entity") for the year ended 30 June 2013 is a company incorporated and domiciled in Australia.

EGH is a for-profit entity for the purposes of preparing the financial statements.

Operations and principal activities

Operations comprise property management of Senior Independent Living Communities.

Currency

The financial report is presented in Australian dollars and rounded to the nearest dollar.

Registered office

Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227.

Authorisation of financial report

The financial report was authorised for issue on 30 September 2013 by the Directors.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies adopted by EGH comprising the parent entity Eureka Group Holdings Limited and its subsidiaries are stated in order to assist in the general understanding of the financial report.

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

Compliance with IFRS

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

New and amended standards adopted by the Group

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

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

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The amendments require grouping together of items within Other Comprehensive Income on the basis of whether they will eventually be 'recycled' to profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as Other Comprehensive Income and the related tax presentation.

Changes to presentation – classification of expenses

Eureka Group Holdings Limited has decided in the current financial year to change the classification of its expenses in the income statement with regards to the "Food, beverage and consumable" category, and the "Lease expenses" category. We believe that this will provide more relevant information to our stakeholders as these expenses are better reflected based on this classification. The comparative information has been reclassified accordingly.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Historical cost convention

These financials 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

GOING CONCERN

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

The going concern assumption is based on the following steps taken by the Group:

- The Group expects to realise its remaining assets held for sale of \$1,492,725 prior to end of June 2014. Subsequent to year end, the Group entered into a conditional contract to sell one of these assets for \$515,000 and if the contract goes unconditional, it will settle in October 2013. The remaining assets held for sale are currently on the market. The Group has engaged Resort Brokers to market these assets and discussions are being held with prospective buyers;
- Included in current liabilities are amounts owing to shareholders amounting to \$1,036,643. The Group continues to retain the support of shareholder loan providers to the extent that the group will work within its cash flow capabilities for repayment of its outstanding debts;
- The Directors believe the Group continues to have the support of NAB and has a number of strategies to maintain compliance with the facility covenants; and
- The Group's 12 month cash flow forecast shows positive operating cash flows.

The Directors are confident of ongoing support from the existing shareholders, shareholder loan providers and the NAB and as such believe the Group will be able to generate sufficient cash flows from operating activities to fund ongoing working capital needs for at least a period of twelve months from the date of the Directors' declaration.

As a result the Directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis.

The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

CONSOLIDATION

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

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2013 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

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

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

REVENUE RECOGNITION

Management, Catering and Service Fees

The consolidated entity is entitled to receive a fee from unit owners for managing the units under management services agreements. The consolidated entity also receives a fee from the tenants of the units for the provision of catering and other services. Revenue is recognised when the services are provided.

Interest Revenue

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

INCOME TAX

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

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

OPERATING SEGMENTS

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

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

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

PROPERTY PLANT & EQUIPMENT

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

Class	Rate	Method
Plant and equipment	25-50%	SL/DV
Manager units	2.5%	SL

IMPAIRMENT OF ASSETS

Financial Assets

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

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Non-Financial Assets

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

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

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

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

PROVISIONS

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

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

DIVIDENDS

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

INVENTORIES

Inventories comprise catering stock only.

Catering stock is valued at the lower of cost and net realisable value.

INTANGIBLES

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

Plans and trademarks have a finite life and are recognised at cost and subsequently amortised using the straight-line method over 5 years being the estimated useful life.

Management rights and letting rights have a finite life and are carried at the lower of cost or recoverable amount. The management rights and letting rights are amortised using the straight line method over 40 years being the estimated useful life.

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

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

TRADE AND OTHER PAYABLES

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

OTHER NON-DERIVATIVE FINANCIAL INSTRUMENTS

Other non-derivative financial instruments are measured after initial recognition at amortised cost using the effective interest method less any impairment losses.

EMPLOYEE BENEFITS

Salaries, Wages and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on-costs. Sick leave is non-vesting and is expensed as paid.

Long Service Leave

A liability for long service leave expected to be settled within 12 months of the reporting date is recognised and is measured as the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given for expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as at the reporting date on national government bonds with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

FINANCE COSTS

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

SHARE BASED PAYMENTS

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

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

GOODS AND SERVICES TAX

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

Receivables and payables are recognised inclusive of GST.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

LEASES

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

BORROWINGS

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

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

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

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

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

TAX CONSOLIDATION

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

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

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

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

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

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity in conjunction with other members of the tax-consolidation group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidation group in respect of tax amounts. The tax funding arrangements require payments to/ from the head entity to the current tax liability/ (asset) assumed to be the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivables/ (payables) are at call.

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

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

CAPITAL MANAGEMENT

The Consolidated Entity considers its share capital and retained earnings as capital.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

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

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

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

CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

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

EARNINGS PER SHARE

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Goodwill

The consolidated entity tests annually, or more frequently, if events or changes in circumstances indicate impairment on whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer note 12 for further information.

Impairment of Non-financial Assets other than Goodwill and other indefinite life Intangible Assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves calculating the fair value less cost to less using assumptions of multipliers, cash flow and profit. Refer to note 12 for key assumptions used by management.

Amortisation of Management Rights

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

PARENT ENTITY

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed above, except for the following:

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

Financial Guarantees

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

COMPARATIVES

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

AASB 9: Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Eureka Group Holdings Limited will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed.

AASB 10: Consolidated Financial Statements

This standard replaces part of IAS 27: 'Consolidated and Separated Financial Statements' and is applicable for annual reporting periods beginning on or after 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in Eureka Group Holdings Limited resulting in more assets and liabilities on the books. Based on Eureka Group Holdings Limited current structure the adoption of this revised standard from 1 July 2013 will have no impact on Eureka Group Holdings Limited.

AASB 12: Disclosure of interest in other Entities

This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Eureka Group Holdings Limited is assessing the impact of this standard.

AASB 13: Fair Value Measurement

This standard is applicable for annual reporting period beginning on or after 1 January 2013 and establishes a single course of guidance for determining the fair value of assets and liabilities. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption from 1 July 2013 should be minimal, although there will be increased disclosure requirements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on Eureka Group Holdings Limited.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. Eureka Group Holdings Limited has yet to determine to potential effect of this standard.

AASB 11: Joint Arrangements

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by Eureka Group Holdings Limited will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The adoption of this standard from 1 July 2013 will not have a material impact on Eureka Group Holdings Limited.

AASB 128: Investments in Associates and Joint Ventures (reissued)

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of this revised standard from 1 July 2013 will not have a material impact on Eureka Group Holdings Limited.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments change the definition of short term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of this revised standard from 1 July 2013 will not have a material impact on Eureka Group Holdings Limited.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on Eureka Group Holdings Limited.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect 5 Australian Accounting Standards as follows: confirmation that repeat application of AASB 1 'First Time Adoption of Australian Accounting Standards' is permitted; clarification of borrowing cost exemption in AASB 1; clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; clarification that servicing of equipment covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of these amendments from 1 July 2013 will not have a material impact on Eureka Group Holdings Limited.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 3: Revenue		
Catering	4,616,285	4,430,038
Service fees	2,874,231	5,070,427
Management	748,980	3,224,661
Property maintenance	1,551,901	1,296,320
Other revenue	1,082,272	1,518,388
Total revenue	10,873,669	15,539,834

Other income		
Interest revenue	4,771	37,318
Gain on sale of assets held for sale	-	16,318
Other income	4,771	53,636

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 4: Items included in profit/(loss)		
Profit/(loss) before income tax		
expense includes the following specific items:		
Rental expense relating to operating leases		
Payments under operating leases	626,902	713,214
Finance cost		
-Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	490,683	668,369
Total finance cost	490,683	668,369
Amortisation		
-Management rights	201,639	168,637
-Other intangibles	9,349	9,342
Total amortisation	210,988	177,979
Depreciation		
-Plant & equipment	48,513	75,484
-Manager units	40,180	24,143
Total depreciation	88,693	99,627
Defined contribution superannuation expense	66,807	66,782

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 5: Income tax		
The components of tax expense comprise:		
Current tax	22,480	53,897
Deferred tax expense on temporary differences current year	160	196,812
Deferred tax asset not recognised on current year loss	(22,640)	(250,709)
	-	-
Profit before income tax expense	74,932	686,488
Income tax calculated at 30% (2012: 30%)	22,480	205,946
Tax effect on permanent differences		
- Entertainment	130	531
- Fines/Penalties	30	-
- Capital profits	-	(9,162)
- Amortisation of intangibles	-	53,394
Deferred tax asset not recognised on current year loss	(22,640)	(250,709)
Income tax expense	-	-
<i>Tax losses</i>		
Unused tax losses for which no deferred tax asset has been recognised	35,256,163	34,780,364
Potential tax benefit at 30%	10,576,849	10,434,109
<i>Unrecognised deferred tax assets</i>		
Temporary differences which have not been recognised:		
Employee benefits	61,031	118,084
Assessable temporary differences	849,558	306,450
Potential tax benefit at 30%	273,176	127,360
<i>Unrecognised deferred tax liabilities</i>		
Temporary differences which have not been recognised:		
Assessable temporary differences	10,400	-
Unrecognised deferred tax liabilities relating to the above temporary differences at 30% (2012: 30%)	3,120	-

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 6: Trade and other receivables		
Trade & other debtors	534,336	788,233
Provision for doubtful debts	(3,749)	(50,000)
Total trade and other receivables	530,587	738,233

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 7: Inventories		
Catering inventory – at cost	41,543	61,098
Total inventories	41,543	61,098

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 8: Assets classified as held for sale		
Managers units	939,965	1,251,219
Management rights	552,760	728,157
Property, plant & equipment	-	24,255
Total assets classified as held for sale	1,492,725	2,003,631

Assets held for resale consist of:

1. One managers unit at Chermside and the management rights
2. One managers unit at Stafford and the management rights
3. One managers unit at Cleveland and the management rights; and
4. The management rights at Albury and Wodonga.

Subsequent to year end, the Group entered into a conditional contract to sell one of these assets for \$515,000 and if the contract goes unconditional, it will settle in October 2013. The Group has engaged Resort Brokers to market the remaining assets and expects to sell these assets in the second half of the 2014 financial year.

The Directors have considered the capital adequacy requirements of EGH, including cash flows pertaining to operations and capital transactions. The Directors will continue in an orderly manner to divest the non-core assets which includes real estate and low contribution management rights. This is anticipated to reduce existing debt levels over the next 6 - 12 months.

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 9: Other current assets		
Prepayments	92,100	209,453
Total other current assets	92,100	209,453

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Name of Entity	Country of Formation or Incorporation	Equity Holding	
		30-Jun-13	30-Jun-12
		%	%

Note 10: Investment in subsidiaries

SCV No. 1 Pty Ltd	Australia	100%	100%
SCV No. 2 Pty Ltd	Australia	100%	100%
SCV Leasing Pty Ltd (formerly SCV No. 3 Pty Ltd)	Australia	100%	100%
Eureka Property Pty Ltd (formerly SCV Services Pty Ltd)	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
Compton's Villages Australia Unit Trust	Australia	100%	100%
Compton's Caboolture Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 11: Property, plant & equipment	Consolidated	
	30 Jun 2013	30 Jun 2012
	\$	\$
Managers units at cost	1,237,693	859,535
Accumulated depreciation	(132,588)	(127,647)
	1,105,105	731,888
Plant & equipment at cost	848,380	1,070,486
Accumulated depreciation	(662,799)	(751,889)
	185,581	318,597
Total property, plant & equipment	1,290,686	1,050,485

Movements during the year ending 30 June 2013			
	Manager's Units	Plant & Equipment	Total
	\$	\$	\$
Consolidated			
Opening written down value	731,888	318,597	1,050,485
Additions at cost	63,776	11,608	75,384
Disposals	-	(130,866)	(130,866)
Transfer to/from Assets Held for Sale	349,621	34,755	384,376
Depreciation expense	(40,180)	(48,513)	(88,693)
Closing written down value	1,105,105	185,581	1,290,686

Movements during the year ending 30 June 2012			
	Manager's Units	Plant & Equipment	Total
	\$	\$	\$
Consolidated			
Opening written down value	737,076	421,347	1,158,423
Additions at cost	18,955	58,276	77,231
Disposals	-	(85,542)	(85,542)
Depreciation expense	(24,143)	(75,484)	(99,627)
Closing written down value	731,888	318,597	1,050,485

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 12: Intangible assets		
Intellectual property - at cost	1	1
Management rights - at cost	4,098,488	3,861,237
Impairment of management rights	(34,266)	-
Accumulated amortisation	(673,249)	(471,610)
Carrying amount of management rights	3,390,973	3,389,627
Plans & trademarks - at cost	27,749	27,749
Less accumulated amortisation	(26,623)	(26,517)
Carrying amount of plans & trademarks	1,126	1,232
Sale rolls	138,571	138,571
Less accumulated amortisation	(18,479)	(9,236)
Carrying amount of sale rolls	120,092	129,335
Goodwill	1,955,515	1,955,515
Total intangible assets	5,467,707	5,475,710

The Group's primary business activity is the management (through management rights agreements) of senior's accommodation throughout Australia. The Group's primary intangible assets are management rights and goodwill. These intangible assets, although separately classified per accounting standard requirements, all relate to the management of senior's accommodation. Their separate categorisation has arisen from acquisitions. Although the Group now predominantly has a singular business activity and segment, the management rights intangible assets are amortised over 40 years, reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Group, while the goodwill is tested periodically for impairment.

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:

1. cash flows were projected over a five year period by applying a 2% growth rate (2012: 2%) to the most recent years' cash flows;
2. the terminal value was calculated using a growth rate of 2% (2012: 2%);
3. cash flows have been discounted using a pre-tax discount rate of 25% (2012: 25%);
4. cash flows do not take into account the management of any new villages; and
5. cash flows are based on historical results.

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

The calculations at balance date indicate no impairment of the goodwill CGU. If the pre-tax discount rate applied to the cash projections of the goodwill CGU was increased by 500 basis points, the recoverable amount of the CGU is still greater than the carrying amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Movements during the year ending 30 June 2013

	Intellectual Property \$	Management Rights \$	Plans & Trademarks \$	Sale Rolls \$	Goodwill \$	Total \$
Consolidated						
Opening written down value	1	3,389,627	1,232	129,335	1,955,515	5,475,710
Additions at cost	-	71,297	-	-	-	71,297
Impairment of management rights	-	(34,266)*	-	-	-	(34,266)
Transfer from assets held for sale	-	165,954	-	-	-	165,954
Amortisation expense	-	(201,639)	(106)	(9,243)	-	(210,988)
Closing written down value	1	3,390,973	1,126	120,092	1,955,515	5,467,707

*Based on the impairment review performed at 30 June 2013, the management rights of Maryborough was impaired. The impairment was due to the Group decision to cancel the management rights contract.

Movements during the year ending 30 June 2012

	Intellectual Property \$	Management Rights \$	Plans & Trademarks \$	Sale Rolls \$	Goodwill \$	Total \$
Consolidated						
Opening written down value	1	3,317,355	1,338	138,571	1,955,515	5,412,780
Additions at cost	-	240,909	-	-	-	240,909
Amortisation expense	-	(168,637)	(106)	(9,236)	-	(177,979)
Closing written down value	1	3,389,627	1,232	129,335	1,955,515	5,475,710

The remaining amortisation period on a weighted average basis of the management rights are 32 years (2012: 33 years).

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 13: Trade & other payables		
Trade creditors and accruals	610,420	1,937,135
Total trade & other payables	610,420	1,937,135

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 14: Provisions		
Current		
Annual leave entitlements	42,444	73,459
Non-Current		
Long service leave entitlements	-	-
Total Provisions	42,444	73,459

Note 15: Dividends

No dividends were paid or proposed during financial year 2013 (2012 - \$nil).
The balance of the franking account at 30 June 2013 was \$nil (2012 - \$nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 16: Other Financial Liabilities		
Current Liabilities		
Shareholder loans	1,036,643	987,047
Convertible notes	365,000	140,000
Commercial bills – secured	360,000	300,000
Total Current	1,761,643	1,427,047
Commercial bills - secured	2,949,000	3,299,000
Total Non-Current	2,949,000	3,299,000
Total Other Financial Liabilities	4,710,643	4,726,047

(a) NAB Facility – Commercial bills and advances

TERMS AND CONDITIONS – 30 JUNE 2013

As at 30 June 2013, the Group has access to a facility with the National Australia Bank (“NAB”), with a fully drawn limit of \$3,309,000 (2012: \$3,599,000). The facility expires on 31 July 2014 and is secured by:

- Registered mortgages over managers’ units and other real estate at its Communities (\$2,230,651).
- Deed of charge over the related management rights (\$3,943,733)
- Guarantee and indemnity given by EGH and its controlled entities.
- Fixed and floating charges over the assets of EGH and its controlled entities (\$9,381,024).

National Australia Bank Ltd hold registered first mortgages over all real estate assets of the Group. It also holds a registered mortgage debenture over all assets and undertakings of all Group assets with the exception of management rights owned by Eureka Care Communities Pty Ltd. The Eureka Care Communities Pty Ltd management rights make up an immaterial portion of the Group’s assets.

Repayment terms: \$30,000 per month.

During the year and as at 30 June 2013, the Group had the following banking covenants:

- Interest Coverage Ratio of 2.0 times to be maintained at all times.
- Maximum Operating Leverage Ratio of 2.5 times to be maintained at all times.

The Group has complied with its covenants through 30 June 2013.

TERMS AND CONDITIONS – 30 JUNE 2012

As at 30 June 2012, the Group had access to a facility with the National Australia Bank (“NAB”), with a fully drawn limit of \$3,599,000 (2011: \$3,999,000) secured by:

- Registered mortgages over managers’ units and other real estate at its Communities (\$2,325,959)
- Deed of charge over the related management rights (\$4,117,784).
- Guarantee and indemnity given the EGH and its controlled entities.
- Fixed and floating charges over the assets of EGH and its controlled entities (\$10,433,669)

National Australia Bank Ltd hold registered first mortgages over all real estate assets of the Group. It also holds a registered mortgage debenture over all assets and undertakings of all Group assets with the exception of management rights owned by Eureka Care Communities Pty Ltd. The Eureka Care Communities Pty Ltd management rights make up an immaterial portion of the Group’s assets.

Repayment terms: \$20,000 per month (from 1 July 2012 to 31 December 2012); \$30,000 per month (1 January 2013 to 31 July 2013).

During the year and as at 30 June 2012, the Group had the following banking covenants:

- Interest Coverage Ratio of 2.0 times to be maintained at all times.
- Maximum Operating Leverage Ratio of 2.5 times to be maintained at all times.

The group complied with its covenants through to 30 June 2012.

This facility expired on 31 March 2012 and was extended to 31 July 2013.

Notes to the Financial Statements

 FOR THE YEAR ENDED 30 JUNE 2013

	30 June 2013		30 June 2012	
	Used \$	Unused \$	Used \$	Unused \$
Commercial bills – secured	3,309,000	-	3,599,000	-
Total NAB facilities	3,309,000	-	3,599,000	-

(b) Shareholder loans

Shareholder loans are outstanding to Co-Investor Capital Partners Pty Ltd, Bydand Investments Pty Ltd and Kathlac Pty Ltd (an entity associated with Lachlan McIntosh, Chairman of EGH). Refer to Note 22 for details. These loans are on an at call basis, are unsecured and attract an interest rate of 12% (2012: 12%) per annum. Each of the shareholders has confirmed in writing their support to the Group.

(c) Convertible notes

On 30 November 2011 (at the Annual General Meeting) shareholders approved the issuance of 530,000 secured and 773,000 unsecured redeemable convertibles notes of \$1.00 each (Notes) with 6 2/3 attaching Options (Options) for each note – or a total of 8,691,010 options.

The Notes are convertible into shares at the lower of \$0.08 or 90% of the VWAP during the last 5 business days on which trading in share on the ASX occurred prior to but not including the date of issue of the conversion notice.

The Notes attract an interest rate of 12.5% per annum and mature at the second anniversary of issuance.

The Options are exercisable at \$0.15 and expire at the second anniversary of issuance.

As at 30 June 2012, the Group had 20,000 secured notes and 120,000 unsecured notes and all of the issued options outstanding.

On 1 August 2012 EGH issued 225,000 unsecured convertible notes of \$1.00 each. The Notes are convertible into shares at \$0.10.

The Notes attract an interest rate of 12.50% per annum and mature on 1 February 2014.

As at 30 June 2013 the Group had 225,000 unsecured notes outstanding.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 17: Share capital	30 June 2013 Number	30 June 2012 Number	30 June 2013 \$	30 June 2012 \$
Fully paid ordinary shares (number of shares)	75,632,932	73,092,932	44,176,337	43,930,780
Opening balance	73,092,932	37,857,460	43,930,780	42,300,014
Shares issued during the year:				
Shares issued at \$0.0363 (Note conversion)	-	8,473,207	-	308,000
Shares issued at \$0.0400 (Note conversion)	-	5,878,643	-	235,146
Shares issued at \$0.0431 (Note conversion)	-	6,530,742	-	281,720
Shares issued at \$0.0495 (Note conversion)	-	403,883	-	20,000
Shares issued at \$0.0502 (Note conversion)	-	2,490,520	-	125,000
Shares issued at \$0.0504 (Note conversion)	-	6,117,225	-	308,280
Shares issued at \$0.0505 (Note conversion)	-	494,733	-	25,000
Shares issued at \$0.0530 (Note conversion)	-	471,519	-	25,000
Shares issued at \$0.0800 (Note conversion)	-	875,000	-	70,000
Shares issued at \$0.1000 (Debt conversion)	646,050	-	64,605	-
Shares issued at \$0.1000	1,893,950	3,500,000	189,395	350,000
Less: share issue costs	-	-	(8,443)	(117,380)
Shares on issue at end of year	75,632,932	73,092,932	44,176,337	43,930,780

	30 June 2013	30 June 2012
	Number of Options	
Options on issue at beginning of year	8,941,010	315,000
Options expired	-	(65,000)
Options issued as part of convertible note issuance (noted 16 (c))	-	8,691,010
Total options on issue	8,941,010	8,941,010

Ordinary shares

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

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

Options

In August 2010, the Company issued 250,000 options expiring on 2 July 2013 and exercisable into ordinary shares in the Company at 25 cents (or 2.5 cents pre-consolidation) to Michael Hayes. These options were cancelled during FY 2012 upon the resignation of Michael Hayes.

On 30 November 2011 (at the Annual General Meeting) shareholders approved the issuance of 530,000 secured and 773,000 unsecured redeemable convertibles notes of \$1.00 each (Notes) with 6 2/3 attaching Options (Options) for each note – or a total of 8,691,010 options. The 8,691,010 options expiring on 6 December 2013, are exercisable into ordinary shares in the Company at 15 cents.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
Note 18: Cash Flow Information	\$	\$
(a) Reconciliation of cash		
Cash at bank and on hand	465,676	895,059
(b) Reconciliation of profit/(loss) for the year to net cash flow from operating activities		
Profit/(loss) for the year	74,932	686,488
Depreciation and amortisation	299,681	277,606
Impairment - management rights	35,266	-
Impairment – assets held for sale	37,080	-
Other	(76,503)	-
(Gain)/Loss on sale of fixed assets	130,866	85,542
(Gain)/Loss on sale of assets held for sale	-	(16,318)
(Increase)/decrease in:		
- trade and other receivables	221,641	(158,899)
- inventories	19,555	(22,727)
- other current assets	117,353	(146,852)
Increase/(decrease) in:		
- payables	(1,276,105)	(521,517)
- provision for employee benefits	(31,015)	(81,257)
Net cash flow from/(used in) operating activities	(447,249)	102,066
(c) Non cash investing and financing activities		

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

- The group converted \$64,605 of shareholders loan to shares

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

- The group converted \$235,145 of shareholders loan to convertible notes.
- The convertible notes amounting to \$1,398,145 from the conversion of shareholder loans were subsequently converted to shares amounting to \$1,398,145.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 19: Financial instruments

Overall policy

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

a) Credit risk

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

Credit risk arises principally from the Consolidated Entity's receivables and cash and cash equivalents.

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
<i>Maximum exposure to credit risk</i>		
Cash and cash equivalents	465,676	895,059
Trade and other receivables	530,587	738,233
	996,263	1,633,292

Trade and accounts receivables

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

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

Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to trade and other receivables. The Consolidated Entity has no concentrations of credit risk that have not been provided for. The Consolidated Entity has not provided for the remaining amounts past due as management believes these amounts will be recoverable.

Cash and cash equivalents

Deposits of cash are only held with approved banks and financial institutions.

The ageing of trade receivables at the reporting date was:

	Consolidated			
	30 June 2013		30 June 2012	
	Gross	Allowance	Gross	Allowance
	\$	\$	\$	\$
Due 0-30 days	88,339	-	254,359	-
Past due 30-60 days	45,070	-	20,168	-
Past due 60-90 days	10,629	-	13,448	-
Past due 90 + days	390,298	(3,749)	500,258	(50,000)
Total	534,336	(3,749)	788,233	(50,000)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2012	30 June 2012
	\$	\$
<i>Movement in provision for doubtful debts</i>		
Opening doubtful debts provision	50,000	61,993
Bad debts written off	(46,251)	(20,694)
Increase to doubtful debts provision	-	8,701
Closing doubtful debts provision	3,749	50,000

b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities.

Contractual maturity analysis for financial instrument liabilities:

2013	Consolidated				
	Contractual Repayment Amount	6 or less Months	6 - 12 Months	1 - 2 years	More than 2 years
	\$	\$	\$	\$	\$
Trade payables	449,993	449,993	-	-	-
Sundry creditors & accruals	160,427	160,427	-	-	-
Commercial bills	3,309,000	180,000	180,000	2,949,000	-
Other financial liabilities	1,401,643	1,401,643	-	-	-
Total	5,321,063	2,192,063	180,000	2,949,000	-

2012	Consolidated				
	Contractual Repayment Amount	6 or less Months	6 - 12 Months	1 - 2 years	More than 2 years
	\$	\$	\$	\$	\$
Trade payables	1,214,541	1,214,541	-	-	-
Sundry creditors & accruals	722,594	722,594	-	-	-
Commercial bills	3,599,000	120,000	180,000	3,299,000	-
Other financial liabilities	1,127,047	1,127,047	-	-	-
Total	6,663,182	3,184,182	180,000	3,299,000	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

c) Market risk

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

d) Interest rate risk

The Consolidated Entity's exposure to market interest rates relates primarily to the Group's current debt obligations and cash at bank. No interest rate swaps had been entered into during the term of the facility.

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

Sensitivity analysis for movement in interest rates:

Variable rate instruments	Consolidated	
	30 June 2013 \$	30 June 2012 \$
1% increase in interest rates – effect on profit after tax & equity	(28,433)	(27,039)
1% decrease in interest rates – effect on profit after tax & equity	28,433	27,039

Note 20: Commitments for expenditure

a) Operating leases: group as lessee

Non-cancellable operating leases

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

	Consolidated	
	30 June 2013 \$	30 June 2012 \$
Within 1 year	487,136	487,136
Greater than 1 year but not longer than 5 years	1,145,667	1,422,331
Greater than 5 years	2,465,074	2,682,312
Total	4,097,877	4,591,779

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

b) Capital expenditure

The Group has no capital expenditure contracted for at the reporting date (2012: \$Nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
Note 21: Earnings per share	30 June 2013	30 June 2012
	\$	\$
Net profit/(loss) used in calculating basic and diluted earnings per share	74,932	686,488
Weighted average number of ordinary shares used in calculating basic earnings per share (adjusted for consolidation)	75,521,590	49,967,419
Adjustments made to ordinary shares & potential ordinary shares as a result of convertible notes	4,827,586	1,013,661
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	80,349,176	50,981,080
Basic earnings per share	0.10 Cents	1.37 Cents
Diluted earnings per share	0.09 Cents	1.35 Cents

Note 22: Related party transactions

(a) Key management personnel compensation

	2013	2012
	\$	\$
Short term employee benefits	935,490	654,149
Post-employment benefits	23,123	12,721
Termination benefits	-	-
Share-based payments	-	-
Total	958,613	666,870

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

(b) Number of shares held: Directors and other key management personnel

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

	Balance 1 July 2012*	Received as Remuneration *	Shares Acquired	Options Exercised*	Net Change Other *	Balance 30 June 2013
Directors:						
Lachlan McIntosh	10,008,336	-	300,000	-	-	10,308,336
Paul Fulloon	-	-	-	-	-	-
Nirmal Hansra	250,000	-	150,000	-	-	400,000
Greg Rekers	2,578,940	-	75,000	-	-	2,653,940
Kerry Potter	2,574,773	-	75,001	-	-	2,649,774
Total	15,412,049	-	600,001	-	-	16,012,050
Executives:						
Sharon Alderwick	347,657	-	-	-	-	347,657
Troy Nunan	-	-	-	-	-	-
Total	347,657	-	-	-	-	347,657

	Balance 1 July 2011	Received as Remuneration	Shares Acquired	Options Exercised	Net Change Other *	Balance 30 June 2012
Directors:						
Lachlan McIntosh	5,881,774	-	-	-	4,126,562*	10,008,336
Paul Fulloon	-	-	-	-	-	-
Nirmal Hansra	-	-	-	-	250,000*	250,000
Greg Rekers	-	-	-	-	2,578,940	2,578,940
Kerry Potter	-	-	-	-	2,574,773	2,574,773
David Rosenblum	-	-	-	-	-	-
Total	5,881,774	-	-	-	9,530,275	15,412,049
Executives:						
Sharon Alderwick	-	-	-	-	347,657	347,657
Troy Nunan	-	-	-	-	-	-
Total	-	-	-	-	347,657	347,657

* Note that these shares were issued as part of the issue of convertible notes issue approved at the 2011 AGM.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

(c) Number of options held: Directors and other key management personnel

The numbers of options over ordinary securities held during the financial year by each director of the Group and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance 1 July 2012	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2013
Directors:					
Lachlan McIntosh	1,000,500	-	-	-	1,000,500
Paul Fulloon	-	-	-	-	-
Nirmal Hansra	133,400	-	-	-	133,400
Greg Rekers*	800,400	-	-	-	800,400
Kerry Potter*	800,400	-	-	-	800,400
Total	2,734,700	-	-	-	2,734,700
Executives:					
Sharon Alderwick	100,500	-	-	100,500**	-
Troy Nunan	-	-	-	-	-
Total	100,500	-	-	100,500	-

* Note that options relating to Greg Rekers and Kerry Potter are the same options held by Navigator PL. All options are unlisted and were issued as part of the issue of convertible notes issue approved at the 2011 AGM.

** Options have expired during the year.

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net Change Other**	Balance 30 June 2012
Directors:					
Lachlan McIntosh	-	-	-	1,000,500	1,000,500
Paul Fulloon	-	-	-	-	-
Nirmal Hansra	-	-	-	133,400	133,400
Greg Rekers*	-	-	-	800,400	800,400
Kerry Potter*	-	-	-	800,400	800,400
Total	-	-	-	2,734,700	2,734,700
Executives:					
Sharon Alderwick	-	-	-	100,500	100,500
Troy Nunan	-	-	-	-	-
Total	-	-	-	100,500	100,500

* Note that options relating to Greg Rekers and Kerry Potter are the same options held by Navigator PL. All options are unlisted and were issued as part of the issue of convertible notes issue approved at the 2011 AGM.

** Options issued are attached to the Convertible Notes issued during the year

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

(d) Other transactions with key management personnel

Kathlac Pty Ltd

As at 30 June 2013, total loans outstanding to Eureka Group Holdings Limited from Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, amounted to \$18,616 (2012: \$79,300) consisting of \$16,223 principal and \$2,393 in capitalised interest.

	2013 \$	2012 \$
Balance at beginning of year	79,300	208,105
Increase in loan amount	-	45,003
Loan repayment made	(48,077)	(50,000)
Interest charged	2,393	26,192
Converted to convertible notes/shares	(15,000)	(150,000)
Balance at end of year	18,616	79,300

22 Capital Pty Ltd

22 Capital Pty Ltd, an entity associated with Lachlan McIntosh, did not invoice for consulting services during the financial year (2012: \$288,887). At 30 June 2013 amount outstanding to 22 Capital Pty Ltd was \$88,718 (2012: \$148,718).

Dotted Line Pty Ltd

The Company trades from a premise owned by Dotted Line Pty Ltd, a company associated with Greg Rekens. The premises is rented on commercial terms. During the year rent amount to \$39,600 was paid (2012: \$39,600). As at 30 June 2013 amount outstanding to Dotted Line Pty Ltd was \$Nil (2012: \$Nil)

Sothertons Chartered Accountants

During the year, Sothertons Chartered Accountants, (of which Lachlan McIntosh is a shareholder) received tax advice related fees of \$29,693 on commercial terms (2012: \$119,163). At 30 June 2013 amount outstanding to Sothertons was \$28,263 (2012: \$3,307).

Griffith Scenic Village Pty Ltd

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group caretaking and management fees of \$48,462 on commercial terms. As at 30 June 2013 amount outstanding to Griffith Scenic Village Pty Ltd was \$Nil (2012: \$Nil)

Gladstone Scenic Village Pty Ltd

Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$20,513 on commercial terms. As at 30 June 2013 amount outstanding to Gladstone Scenic Village Pty Ltd was \$Nil (2012: \$Nil)

Elizabeth Vale Scenic Village Pty Ltd

Elizabeth Vale Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of \$45,259 on commercial terms. As at 30 June 2013 amount outstanding to Elizabeth Vale Scenic Village Pty Ltd was \$Nil (2012: \$Nil)

Note 23: Ultimate parent entity

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

Note 24: Contingent liability

There are no contingent liabilities or contingent assets at 30 June 2013 that require disclosure in the financial report.

Note 25: Operating segments

Identification of reportable operating segments

The company operates in one segment, being the management of senior independent living communities. All of the Company's areas of operations are currently located within Australia.

Operating segments have been determined on the basis of reports reviewed by the Board of Directors (who are identified as the chief operating decision makers).

The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole.

The chief operating decision makers review the results of the consolidated entity on the above basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Note 26: Remuneration of auditors		
During the financial year the following fees were paid or payable for services provided by the auditor of the company and its related practices:		
(i) <i>Audit and other assurance services – BDO Audit Pty Ltd</i>		
Audit and review of financial statements	81,000	-
(ii) <i>Audit and other assurance services – BDO East Coast Partnership</i>		
Audit and review of financial statements	-	71,000
(iii) <i>Other Services – BDO (QLD) Pty Ltd</i>		
Aged Care Approvals Round (ACAR) application	7,500	-
Total	88,500	71,000

Note 27: Subsequent events

EGH has executed a contract for sale of its manager's unit and rights at Stafford for \$515,000. This contract is expected to settle in October 2013.

Other than the above mentioned item, there are no further material subsequent events.

Note 28: Parent entity disclosures

Information relating to Eureka Group Holdings Limited (parent entity):

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Results of the parent entity		
Profit/(loss) for the period	(720,215)	(442,794)
Other comprehensive income	-	-
Total comprehensive income for the period	(720,215)	(442,794)
Financial position of parent entity at year end		
Current assets	678,535	1,833,476
Total assets	7,168,718	5,633,680
Current liabilities	1,978,864	782,774
Total liabilities	4,927,864	5,399,447
Total equity of parent entity comprising of:		
Share capital	44,176,337	43,930,780
Retained earnings	(41,935,483)	(43,696,547)
Total equity	2,240,854	234,233

Guarantees

The parent entity had no guarantees in place as at 30 June 2013 and 30 June 2012.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2013 and 30 June 2012.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2013

DECLARATION OF BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraph 18 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2013, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Lachlan McIntosh
Director

Dated in Brisbane this 30th day of September, 2013

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2013



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Brisbane Qld 4000 GPO Box 457 Brisbane
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INDEPENDENT AUDITOR'S REPORT

To the members of Eureka Group Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Eureka Group Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2013



Independence

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

Opinion

In our opinion:

- (a) the financial report of Eureka Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraph 18 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'K L Colyer', is written over a faint, stylized 'BDO' logo.

K L Colyer

Director

Brisbane, 30 September 2013

Corporate Directory

FOR THE YEAR ENDED 30 JUNE 2013

Postal Address

Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227

Board of Directors

Lachlan McIntosh (Non - Executive Chairman)

Paul Fulloon

Nirmal Hansra

Greg Rekers

Kerry Potter

Company Secretary

Troy Nunan

Solicitors

HWL Ebsworth

Level 2 Brisbane

500 Queen St,

Brisbane Qld 4000

Tel: 07 3002-6790

Fax: 1300 368 717

Auditors

BDO Audit Pty Ltd

Level 10, 12 Creek Street

Brisbane Qld 4000

Tel: 07 3237-5999

Fax: 07 3221-9227

Share Registry

Link Market Services – Brisbane

Level 12, 300 Queen Street

Brisbane Qld 4000

Call Centre 02 8280-7454

Fax 07 3228-4999

Listing Details

ASX Limited Brisbane

Code: Shares – EGH

Australian Business Number

15 097 241 159