eureka
GROUP HOLDINGS

2016

annual report

30 June 2016

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FY 2016 Performance Snapshot

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Becoming **National Market** Leader

Investing $43m

to acquire 13 additional villages to become Australia's largest ASX listed provider of low cost seniors rental accommodation with over 1,900 units owned and/or managed at the start of FY 2017.

Posting **Record** Profitability

Leveraging an expanded operational base and increased group wide efficiencies to post a

record NPAT of $10.467m.

Creating Shareholder **Value**

Accelerating successful " buy and build " strategy to support a rise in share price from 40 cents to

79 cents during FY 2016.

Formalising Key **Blue Care** Alliance

Creating an enhanced environment for residents and a competitive edge for Eureka with Blue Care's respected in home aged care and support services being progressively rolled out to all the company's Queensland villages over the

next 12 months.

Elevating Eureka's Investment Profile

Gaining a market capitalization of $180 million

and resulting elevation into ASX All Ordinaries Index and attracting new institutional investors to the company's share register.

Funding For **Continued** Growth

Raising over $26.45 million

in new capital to strengthen Eureka's balance sheet and fund new acquisitions.

Ensuring Past **Growth** Is **Accelerated**

Holding and surveilling a pipeline of around

200 possible acquisition targets

and increasing total potential brown field development land in company owned villages with the capacity to build up to 250 new units.

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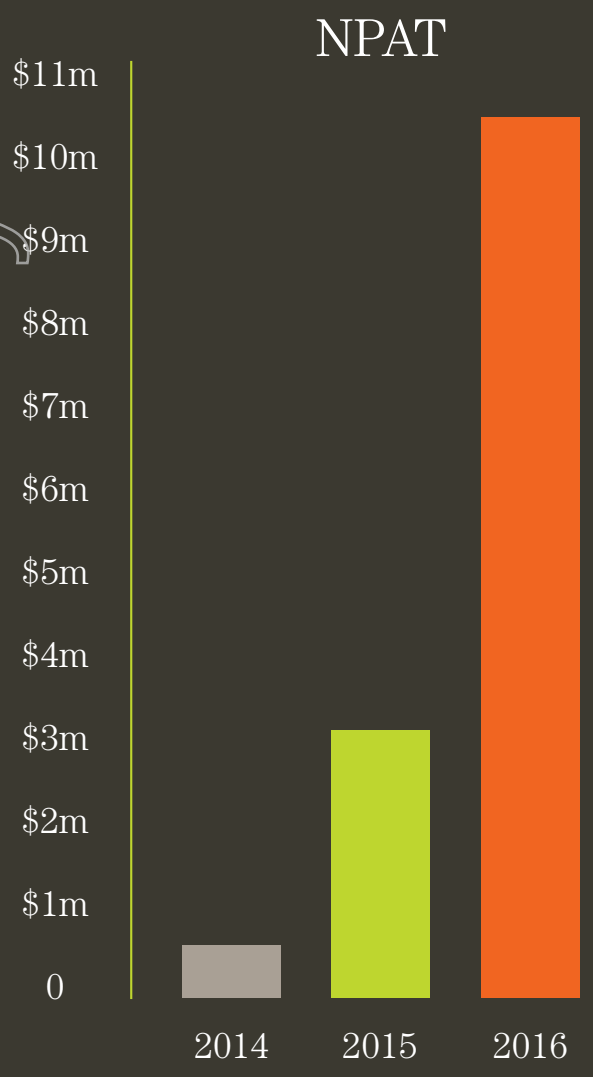

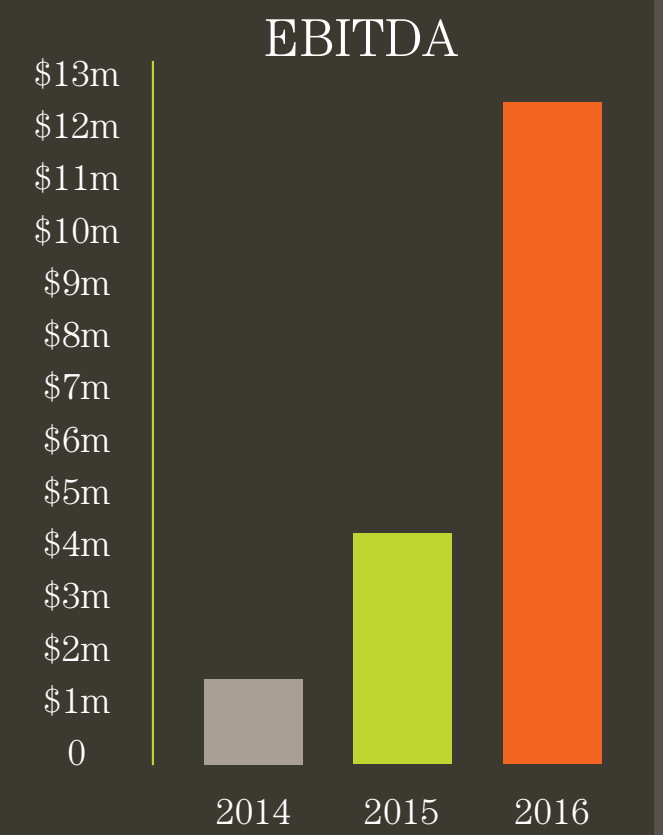

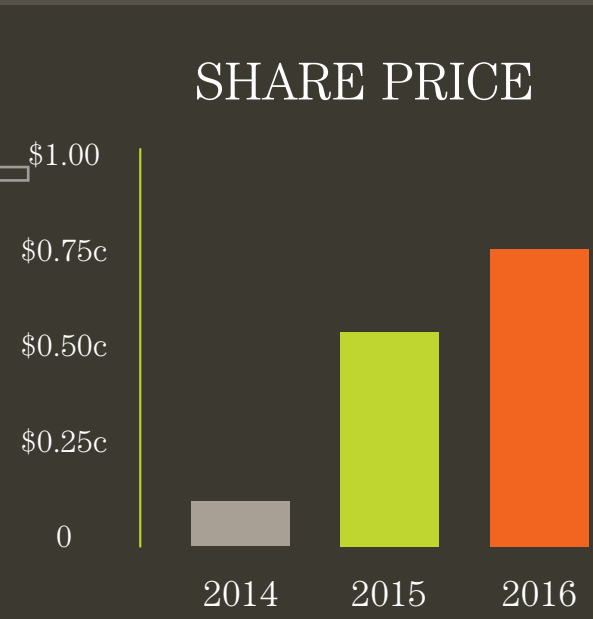

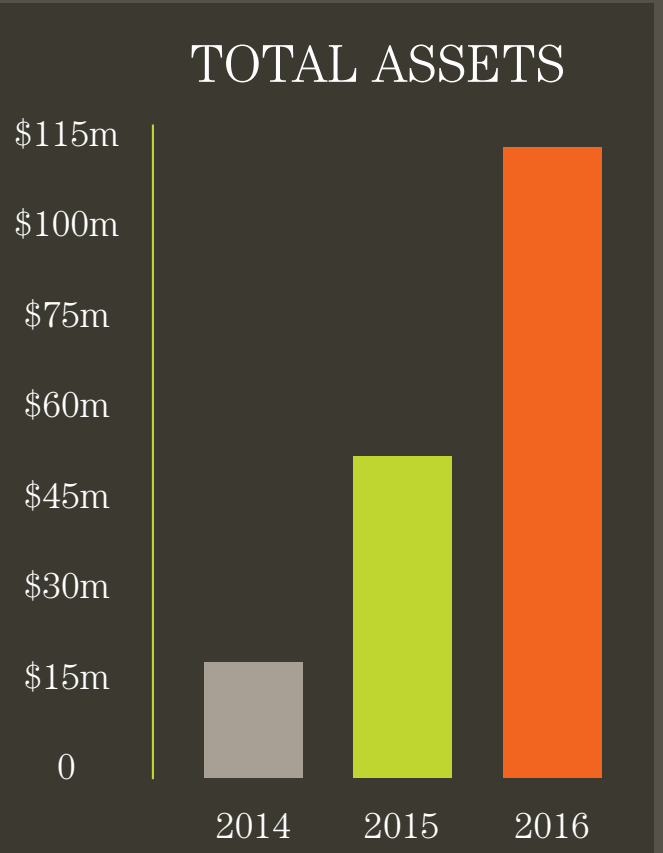

Key Forward Goals

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More Than Doubling Units Owned Or Managed

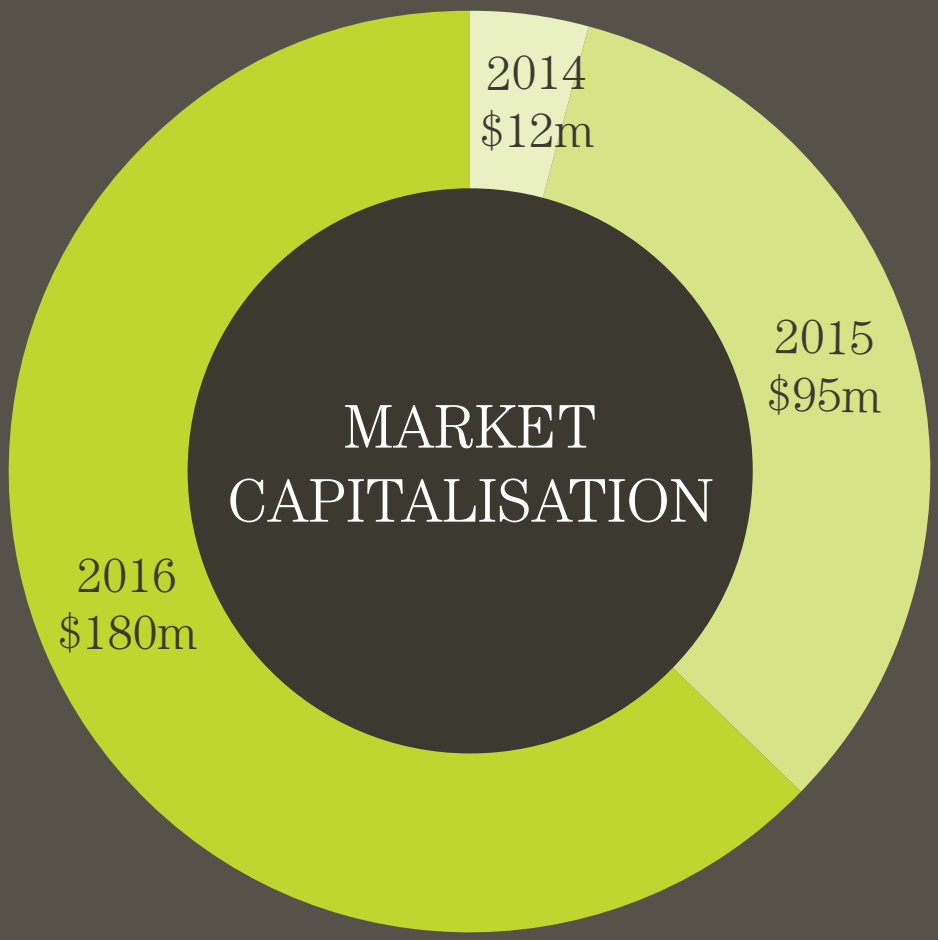
Further accelerating " buy and build " strategy to increase units owned and managed by Eureka.

5,000 is Eureka's intermediate goal.

Entering ASX 300 Index

Sustaining strong growth

in market capitalization and share price to achieve entry into ASX 300 Index.



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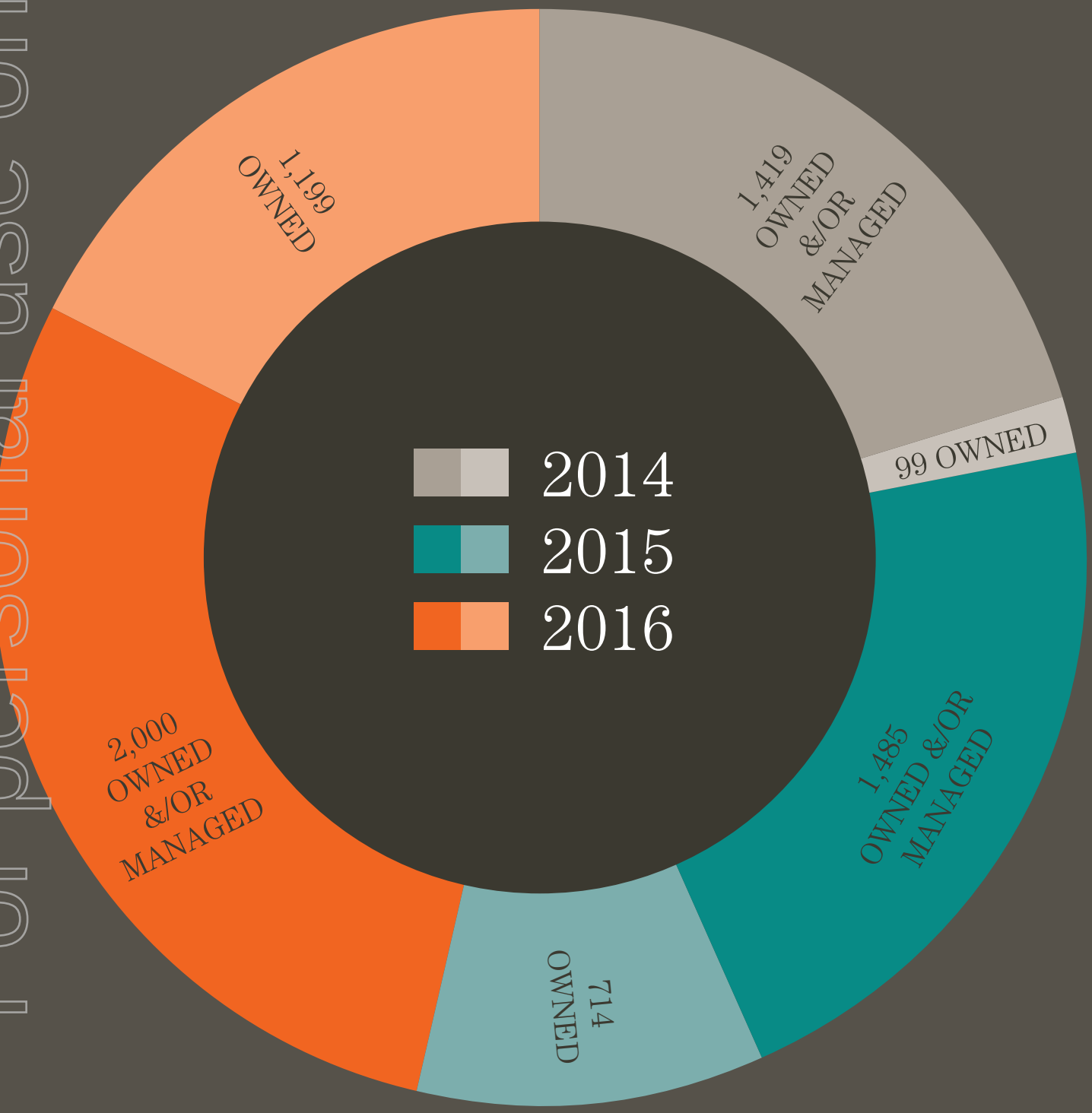
UNITS OWNED AND/OR MANAGED



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Chairman's Review

It is with considerable pleasure that I report to shareholders on what has proved another year of significant growth and achievement by Eureka Group Holdings Limited (Eureka).

Evaluated from all perspectives, FY 2016 proved a resounding success with the company again posting record profitability, generating additional shareholder wealth and delivering social value through what is now Australia's largest ASX listed portfolio of affordable seniors rental accommodation.

The continued acceleration of the company's "buy and build" strategy, under which around $43.48m was invested during the year in acquiring additional retirement assets, backed by a bolstered balance sheet, resulted in Eureka by year end being entrenched as the nation's largest ASX listed provider of low cost retirement rental assets with just under 2,000 units owned and/or managed.

Testament to the substantial progress the company made throughout FY 2016 is the strong share price growth achieved over the period and the new institutional investors committing to Eureka's "buy and build" strategy which resulted in its elevation to the ASX All Ordinaries index and a market capitalisation of around $180m by year end.

National Growth Fuels Record Profitability

Eureka's continued focus on acquiring quality asset backed, income-generating assets in the fastest growing sector of Australia's seniors accommodation industry, along with centralised efficiencies flowing from creating critical mass clusters of regional super villages, provided the underlying platform for another year of record financial results which were at, or ahead of previous market guidance.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 202% from the previous financial year to $12.47m (FY 2015 $4.12m). This was achieved on the back of group revenue which was up 98% from the prior year to $24.16m (FY 2015 $12.21m). This higher revenue base resulted in Eureka posting a record net profit after tax (NPAT) of $10.47m, 237% higher than the prior year (FY 2015 $3.11m). The company's earnings per share improved 132% from 2.24 cents in FY 2015 to 5.19 cents.

The strong financial results recorded by Eureka reflect improved across-the-board operational performance by the group's enlarged rental retirement portfolio. As at the close of the year under review the company's average occupancy was 86%, down from 89% the previous year due to recent village acquisitions. Occupancy is expected to settle around our long term average of 90% as new villages are integrated.

A Strong Platform to Sustain Growth

In FY 2016 Eureka further strengthened its balance sheet laying a platform to accelerate its growth trajectory.

As a result of a significantly larger portfolio of income earning "bricks and mortar" assets, total assets at financial year end climbed to $111.32m compared to $51.83m at the close of FY 2015. Similarly, net tangible assets backing per ordinary share increased from 14.3 cents in the prior year to 26.3 cents as at 30 June 2016.

To sustain the company's aggressive "buy and build" strategy, Eureka successfully completed several capital raisings totalling

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$26.45m during the year and including the SPP completed in July 2016, all of which like those of prior years were heavily oversubscribed, again reinforcing the commitment of both existing and new shareholders to the company's growth blueprint and its strategic focus on what is the fastest growing sector of Australia's burgeoning retirement industry.

In October 2015 the company successfully raised $10.40m (before fees) from an institutional capital raising priced at 54 cents per share. A subsequent institutional raising in June 2016 which was priced at 75 cents per share added an additional $12.5m (before fees) to Eureka's balance sheet. Reflecting the heightened investor following the company is now achieving a number of new institutional and fund investors from Australia, New Zealand and South East Asia joined the group's register following the offers. A Share Purchase Plan which closed in early July 2016, also offered to shareholders at 75 cents raised an additional $3.95m.

Eureka has over a relatively short period of time earned a reputation for consistently delivering on its promises. The heavy oversubscription of the capital raisings completed in FY 2016 highlight the faith shareholders have in Eureka's continued ability to create strong and recurring gains to group EBITDA from the acquisitions made from funds raised.

While Eureka continues to rigidly monitor group wide costs to maintain and enhance margins, it is imperative that the size and skill set of the company's management team remain at levels needed to not only sustain, but accelerate growth and profit gains. Consistent with this need during the year an investment was made in additional, key human resources to ensure the substantial growth pipeline open to Eureka is fully capitalised on.

While the company will continue to augment its workforce commensurate with prevailing growth rates, importantly, the technological systems and infrastructure now in place will enable a virtual doubling of the company's current scale before any additional investment will be needed in these resources.

Blue Care Alliance Enhances Eureka's Market Offer

A resident in home care partnership formalised with the Uniting Church's Blue Care in June 2016 represents a milestone development for Eureka, and one which will deliver an enhanced living environment for residents and a strategic competitive advantage to the company.

Founded in 1953, Blue Care is one of Australia's leading not-for-profit residential aged care, community care and retirement living providers. Under the historic partnership, Eureka residents will benefit from Blue Care's in home care and support services through their experienced staff being located onsite at the company's villages for allocated periods of time, based on demand.

Significantly, Blue Care selected Eureka as their preferred low cost housing partner following an evaluation of a number of other senior's accommodation providers, representing a clear endorsement of the company's social value adding business model and its focus on providing quality, affordable rental properties in well located and serviced localities.

Under the partnership, Eureka residents will receive ongoing support and care tailored to their individual needs from Blue

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Care's staff, along with assistance and advice on how best to access government funding for care services.

A partnership pilot programme which is currently underway at Eureka's Tivoli Gardens property has already proved a resounding success with 19 of the 30 residents who are eligible to access government funding for Blue Care's care services signing up within 2 weeks of the program starting. An extension of the pilot programme will shortly be rolled out in other Eureka Queensland villages at Wynnum, Rockhampton and Cairns.

At this stage it is envisaged that Blue Care's support services will be available at all of Eureka's villages throughout Queensland within 12 months.

The availability of government funded care support services accessible via the Blue Care partnership will undoubtedly lengthen the average term of occupancy across Eureka's portfolio, heighten demand for its rental accommodation and provide a strong motivation for residents currently in competitors villages where they pay for aged care services to relocate to the company's properties.

Eureka Cements Market Leading Position

With the acceleration of Eureka's "buy and build" strategy and an accompanying $43.49m invested in acquiring 13 additional villages in FY 2016 the company attained the mantle of Australia's largest ASX listed low cost aged rental accommodation provider.

This investment follows the successful expansion during the prior financial year when 8 villages were acquired for a total of $29.12m.

As at 30 June 2016 Eureka owned 23 villages containing 1,199 units with a total portfolio under management comprising 32 villages and 1,938 units. Importantly, the company's focus on creating clusters of villages in select regional geographic localities which deliver improved efficiencies and higher EBITDA was further strengthened during the year, with Eureka now operating 323 units in North Queensland, 214 units in Central Queensland, 599 units in South East Queensland/Northern New South Wales, 584 units in South Australia and 218 units in the Victoria/New South Wales Border Region.

With the operating scale now in place, and the enhanced efficiencies flowing from these critical mass regional village clusters, Eureka has now reached a pivotal stage where the conversion of year on year revenue, which is over 99% government funded, to cash flow is being maximised.

In line with the company's "buy and build" strategy, a number of the acquisitions made during the year also contained valuable additional land suitable for brown field development, resulting in Eureka at year end holding a cumulative land bank of over 174,000 m2 (excluding the Terranora project) within existing freehold villages which has the capacity to house up to 250 new units once developed.

The 13 new village acquisitions completed in FY 2016 and which together add $5.22m to annualised EBITDA comprise:

- **Mt Gambier Villages, South Australia**

  A 45 unit village acquired for $2.25m which has, pending final development approval, the capacity to develop 15 new units. Subsequent to this a second village in Mt Gambier containing 58 apartments including 10 double rooms was purchased for $3.45m.

- **Rockhampton Villages, Queensland**

  Two adjoining villages were acquired at intervals during the year adding further scale to Eureka's already strong presence in the Central Queensland market. A 41 unit property, including a mangers unit, was purchased for $3.25m. Later in the year an adjoining Eureka managed village was acquired for $4.565, effectively creating a super village containing over 90 beds.

- **Bowen Village, Queensland**

  A 50 room village containing excess land for an additional 20 rooms was acquired for $1.32m.

- **Wynnum Village, Queensland**

  A 41 unit village was acquired for $4.50m which also has additional land capacity for 30 units to be developed. The property is located in one of the strongest retirement demographics in Brisbane, with the village maintaining a consistent 100% occupancy level and waiting list.

Chairman's Review (continued)

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- **Terranora Village, Northern New South Wales**

The significant $7m acquisition of an 80 unit village with elevated views over Tweed Heads and surrounding hinterland represents Eureka's largest and most profitable development opportunity to date. A planned major re-engineering of the property which contains six hectares of vacant land is currently on track and involves:

- selling the 80 rental units acquired, all of which are significantly larger than Eureka's standard rental units, for a projected $14.0m.
- selling 3.5 hectares of the vacant land as house/land packages for an estimated $4.0m.
- maintaining the management rights for the above units which will add around $250,000 to group EBITDA annually.
- building a "next generation" Eureka super village containing 125 x 39 m2 seniors rental units on the 2.5 hectares of remaining vacant land utilising $10.0 m from the various sales proceeds which will add around $2.0m annually to group EBITDA.

The first stage of the re-engineering project is currently on track, with a number of expressions of interest for the unit sales in place and subsequent cash flow expected to come on stream from the September quarter on. Stage 2 covering sale of the house/land packages is scheduled to finish by June 2017, with the final stage, construction of the 125 new units expected to commence late 2017 or early 2018 following receipt of planning and development approvals. This project will undoubtedly help propel Eureka onto a new growth trajectory and significantly strengthen its balance sheet through generating around $8.0m in net cash proceeds, adding an additional recurring $2.5m to EBITDA and providing a "next generation" Eureka village of 125 units as a blueprint for the future potential development of new purpose designed company super villages.

- Salisbury, South Australia

  A 60 room village in Adelaide which has a 100% occupancy level and waiting list was acquired for $4.6m.

- Amber Lodge, South Australia

  This 54 unit village, which has the land capacity to develop an additional 36 units, was acquired for $4.5m.

- Blue Care Villages

  The three village acquisitions made by Eureka in the year represent a significant extension of the previously outlined partnership agreement struck with care provider Blue Care. Just prior to 30 June the company consolidated its position as Blue Care's preferred low cost housing provider through the acquisition of three of the aged and community services group's rental villages containing 99 units located in Brisbane, Southport and Townsville for $6.0m. Eureka and Blue Care remain committed to expanding future mutual opportunities to optimise their joint customer value, through Eureka providing the quality affordable accommodation component and Blue Care the vital service of in home aged care and support.

- Couran Cove

  On 30 June 2016, Eureka settled another milestone acquisition and one which like Terranora, offers the company a major and profitable re-engineering opportunity. The transaction which elevates the number of units owned or managed by Eureka to over 2,000 involves the acquisition of an initial 36 units at the Couran Cove Island Resort in Runaway Bay, a 10 minute ferry ride from Southport on the Gold Coast. While Couran Cove was for many years primarily a tourist destination, the initial $2.05m acquisition by Eureka from Island Resorts Pty Ltd marks the start to a major re-engineering of selected parts of the resort into an independent low cost rental village.

This initial investment made in Couran Cove highlights that, backed by appropriate due diligence, there is a broad range of under utilised property assets located in traditional retirement catchments that can quickly and economically be converted to low cost seniors accommodation. While the company's acquisition pipeline primarily remains focused on existing retirement assets Eureka continues to investigate other undervalued asset classes in potential growth markets such as motels and residential properties in established regional centres.

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Australia's Aged Dynamics to Propel Eureka's Growth

Australia's rapidly aging population is now a clearly established demographic fact, and one which will provide a major impetus to Eureka's continued growth and profitability.

It has been well publicised by the Australian Bureau of Statistics (ABS) that in 2014, 15% of the population representing 3.5 million people were aged 65 and over and that by 2030 this will increase to 19%, jumping further to a projected 21%, or 8.4 million, by 2030.

This dynamic is already having a dramatic impact on Australia's retirement industry and is a trend which will significantly intensify with nearly an additional 3 million Australian seniors reaching retirement age or over in just the next 14 years.

The impact this seismic shift will have on the nation's retirement living market is clearly highlighted by research which indicates 71% of persons surveyed intended to retire at the age of 65 years or over, up from 66% in the survey result of 2012-13 (ABS: Retirement and Retirement Intentions July 2014 – June 2015).

Moreover, Grant Thornton research has projected that by 2025 7.5% of older Australians representing 382,000 people will want to live in retirement villages, 200,000 more than, and greater than double the number of residents currently residing in a retirement living home.

A wide range of statistics also supports the fact an increasingly large portion of Australians at, or approaching retirement age, are financially ill-prepared to fully fund their retirement years. The ABS has reported that 47% or persons aged 45 and over who had retired recorded a government pension or allowance as their main source of income.

The financial shortfall facing many Australians entering retirement phase is further reinforced by a collaborative research study by the University of Melbourne and Towers Watson in 2014 which highlights the large number of seniors unable to finance a comfortable retirement lifestyle. Using the Association of Superannuation Funds in Australia (ASFA) Retirement Standard income for a comfortable lifestyle of $57,665 for couples and $42,158 for singles, the report found that ignoring all sources of income other than super, only 15% of couples and 5% of singles are expected to reach the above target.

Further, the report found that factoring in the age income as an additional income source resulted in still only 32% of couples and 11% of singles being on track to fund a comfortable retirement.

These statistical analyses along with many others, all underscore what will not only be a dramatic escalation in demand for retirement living facilities, but in particular, a significantly larger number of aged Australians who for financial reasons will seek low cost rental accommodation as their only viable retirement option.

These dynamics, and the pace with which they are occurring, provide an unparalleled opportunity for Eureka as Australia's largest provider of affordable seniors rental accommodation to rapidly and profitably capitalise on.

Another quickly emerging population demographic trend which is strongly aligned with Eureka's growth blueprint is the projected surge in the number of baby boomers, or those born between 1946 and 1964, relocating to regional country towns. National research company Propertyology forecasts an escalation in the number of baby boomers who are either retired or rapidly nearing retirement seeking more affordable accommodation in regional centres based

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on soaring property prices in many of the major cities, coupled with insufficient retirement savings.

Given that approximately 59% of Eureka's low cost seniors rental villages are currently located in such regional towns, a proportion unlikely to change into the future, again has the company strategically placed to reap maximum benefit from this forecast exodus to well serviced localities outside the major metropolitan centres.

At the current time, of the approximate 2,270 aged accommodation facilities which house around 184,000 residents, only approximately 60 are managed by corporatised entities, with a vast majority of facilities owned and managed by owner operators, single strata title structures and not-for-profit groups.

This highly fragmented market structure provides Eureka with a virtually unlimited pipeline of acquisition opportunities and the ability to "cherry pick" quality high occupancy villages, located in particular, in those areas in which the company holds a strong market presence to create clusters of super villages with accompanying economies of scale and enhanced efficiencies.

Eureka's Successful Business Model

Eureka's tried and proven business model is predicated on being a "shared value" enterprise which is generating a profit for shareholders and making a beneficial and measurable impact on the increasingly significant social issue of affordable housing availability in Australia.

The company is actively addressing the above social issue by providing a rapidly expanding pool of quality, affordable rental accommodation options to independent retirees who are either completely or primarily reliant on the Australian Government Pension and Rent Assistance.

As the only ASX listed company solely focused on providing affordable seniors accommodation, Eureka's revenue streams are essentially underwritten by the Australian Government with nearly 100% of group rental income paid via government pensions and/or rent assistance. Given the source of its revenue base and the dynamics of Australia's rapidly changing population demographics, the company has a highly robust and sustainable business model that:

- is largely immune to global economic cycles and disruptions
- delivers year-on-year revenue and EBITDA growth
- has low working capital requirements

- owns an expanding "bricks and mortar" asset base more stable than other property asset classes
- comprises a customer base whose financial circumstances make their property tenure predominantly fixed and stable
- is difficult to disrupt through digital technologies or alternate offerings
- operates in a highly fragmented industry that is ripe for ongoing consolidation

Within the global investment market, including Australia's, there is a decided movement by some funds and institutional investors towards ethical enterprises which also have a proven performance track record. This trend is already apparent on Eureka's share register with a number of new investors attracted by both the strong social value and year-on-year earnings growth the company's business model consistently delivers.

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Buoyant Outlook for FY 2017

Eureka enters the new financial year as Australia's largest provider of affordable seniors rental accommodation with just under 2,000 units under ownership and/or management, a strong balance sheet and a robust working capital base of over $8.05m. Having achieved critical market mass of 2,000 units and the resulting cost efficiencies flowing from this scale, Eureka is strongly positioned to achieve its next immediate goal of 5,000 units owned or managed.

At the time of this report, the company has a pipeline of 200 potential acquisition opportunities which have been identified following preliminary due diligence, and is intent on again accelerating its "buy and build" strategy in FY 2017. Importantly, with the cash flow from the Terranora re-engineering project commencing from this September quarter and the locked in recurring revenue streams from the company's existing retirement portfolio, Eureka is now capable of largely self funding future acquisitions, barring any major transaction opportunities which may arise.

The historic agreement struck with Blue Care will see their in home aged care services and support progressively rolled out to all Queensland Eureka villages during the current financial year. This partnership presents Eureka with a significant point of differentiation from its competitors, and provides the company a capability to seriously disrupt the low cost sector of the Australian retirement market, and particularly those competitor villages in which residents are required to independently pay for such services.

The company also has an extremely strong upside for organic growth; currently owning (excluding Terranora) over 174,000 m2 of brown field or in-fill development land in existing villages, with the potential to develop up to 250 new units. During the current year Eureka expects to make further progress on its two major re-engineering projects at Terranora and Couran Cove, both of which will have a profound impact on the company. Jointly they have the capacity to add up to 420 units to Eureka's portfolio, generate a significant cash windfall along with stronger group EBITDA and a substantially strengthened balance sheet.

Eureka currently has around 6 prospective acquisition targets under detailed due diligence and is confident of finalising several of these within the first quarter. As previously outlined, wherever possible, acquisitions will be targeted which create village clusters in existing Eureka locations to leverage additional group wide cost efficiencies and economies of scale.

Following the almost doubling of Eureka's share price from a low of 40 cents to 79 cents at the close of FY 2016, the company is confident of again creating shareholder value in the current financial year based on the expansive growth planned and the strong "bricks and mortar" backed balance sheet and cash reserves in place.

On a final note I wish to acknowledge the invaluable input and commitment made during the year to the company's continued success by my fellow directors, senior management team, staff and village managers. It is again worth highlighting the clear alignment that exists between Eureka's board/senior management team and shareholders interests. Cumulatively the board and senior management hold 13% of shares on issue, and as such have a decided incentive to continue diligently accelerating the company's growth strategy and maximising financial outcomes for shareholders.

My sincere thanks and appreciation are also extended to the ever growing number of shareholders now on Eureka's register for their unwavering support and loyalty throughout the year. You all own a company which continues to make major financial gains, has an unlimited growth horizon and importantly, delivers significant, measurable social capital to Australia's rapidly growing seniors community.

Robin Levison
Chairman

Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the "Company", "EGH" or "Eureka") and its controlled entities (the "Group", or the "Consolidated Entity") for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of EGH include:

- Providing specialist property asset management through property ownership and caretaking and infrastructure management;
- Providing accommodation and tailored services to a broad market of aged residents with discretionary and non-discretionary spend characteristics; and
- Project management.

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 2016 $'000	**30 June 2015 $'000**
Net profit		10,467	3,105
Add back:	Interest	1,733	858
	Tax	-	-
	Depreciation	113	34
	Amortisation	155	132
Earnings before interest, tax, depreciation and amortisation (EBITDA)		12,468	4,129

The increase in EBITDA to $12.468m was represented by:

- profit contribution from the villages acquired during the year;
- net fair value gain of $4.0m on investment properties; and
- continued strong occupancy.

Financing costs increased during the 30 June 2016 year as a result of increased borrowings to fund the village acquisitions.

Financial Position	**Consolidated**	
	30 June 2016 $'000	**30 June 2015 $'000**
Total Assets	111,323	51,834
Net assets	64,934	31,855
Working capital (current assets less current liabilities)	8,505	4,657

The Group continues to strengthen its financial position. During the year, the Group acquired investment properties for total consideration including transactions costs of $49m (including Terranora units that were transferred to inventory). These acquisitions were partly funded through bank debt, which resulted in bank debt increasing from $19.5m to $42.7m.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 30 June 2016 financial year the Group acquired 13 senior's rental villages. This is consistent with Eureka's growth strategy to acquire high performing villages and associated management rights. The villages acquired include:

- Lambert Village for $2.25m in September 2015 – 45 units
- Eureka Cascade Gardens Rockhampton 1 for $3.25m in October 2015 – 41 units
- Village Life Wynnum for $4.5m in October 2015 – 41 units
- Bowen Village for $1.32m in December 2015 – 50 units
- Mount Gambier 2 Village for $3.45m in December 2015 – 58 units
- Eureka Cascade Gardens Rockhampton 2 for $4.56m in December 2015 – 53 units
- Terranora Village for $7m in December 2015 – 80 units plus substantial land holdings!
- Salisbury Village for $4.6m in February 2016 – 60 units
- Amber Lodge Village for $4.5m in June 2016 – 54 units
- Townsville Christine Court Village for $1m in June 2016 – 20 units
- Southport Pioneer Place Village for $3.37m in June 2016 – 35 units
- Margate Maiala Place Village for $2.79m in June 2016 – 44 units
- Couran Cove Island Resort $2.05m in June 2016 – 36 units

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Directors' Report

The purchase prices above are exclusive of applicable acquisition costs.

During the 30 June 2016 financial year, after a review of all the Group assets, the Group divested its management rights in Capalaba and Maroochydore.

DIVIDENDS

No dividends have been paid during the year (2015: $nil). No dividends for the financial year ended 2016 have been recommended at the date of this report.

SHARE CAPITAL, REDEEMABLE CONVERTIBLE NOTES AND SHARE OPTIONS

The number of ordinary shares on issue at 30 June 2016 was 225,784,473 (2015: 188,099,927).

There were no options issued during the year. The balance of options outstanding at 30 June 2016 is nil (2015: nil).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the current 2017 Financial Year there will be a continued acceleration of Eureka's "Buy and Build" strategy which has seen the company move away from its historical ownership of management rights only, over low cost rental retirement villages to a dominant and holistic bricks and mortar village ownership and management model which has generated far superior returns to shareholders.

Eureka will continue to acquire existing underperforming assets which meet its EBITDA return hurdle rate and will continue to improve the performance of existing recently acquired assets which to date has consistently added to the value of each village.

Each year the company also reviews its management rights portfolio and there may be further divestments from that portfolio should it be seen as opportune.

The re-engineering of the Terranora property acquired for $7 million in December 2015 has commenced and is expected to result in settlements during the first half of FY 2017. Eureka has received a number of "expressions of interest" to buy the units held for resale at a range of $325,000 - $375,000 for the larger units and expects to receive around $140,000 for the smaller less well situated units which when put to contract, will result in the company comfortably meeting the $14 million net cash in-flows previously predicted from their re-sale. Initial cash receipts should start to be received in the October-December quarter this year. The marketing for the Terranora excess vacant land not required by Eureka will also start within the next 6 months.

Building on our previous announcement, Eureka continues to acquire further assets at Couran Cove as they become available and will continue the transition of the current inner part of the resort known as the Eco-Village to a low cost rental retirement village. To capitalize on the potential scale of the Couran Cove opportunity, Eureka is also acquiring the caretaking and infrastructure management rights for entire resort as the company sees the Couran opportunity as creating its largest single village by number of units.

Lastly Eureka will continu e to build on the Blue Care partnership announced in June 2016 and expects the Bluer Care "in home care" model to be rolled out to further Queensland villages once the current Ipswich trial is completed.

SUBSEQUENT EVENTS

On 8 July 2016, the Company's Share Purchase Plan ('SPP') was finalised. Due to overwhelming support from shareholders the SPP was oversubscribed. The Board decided to increase the size of the SPP from $2.5m to $3.95m and allotted shares on 14 July 2016 at 75 cents per share.

The Group has completed the due diligence and gone unconditional on 17 August 2016 on the acquisition of 55-unit village in Orange, NSW known as Albert Street Gardens for $5.12m.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

ENVIRONMENTAL REGULATION

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

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Directors' Report

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INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year. During the financial year the Group has paid a premium of $34,173 for Directors' and Officers' liability for current and former Directors and Officers.

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.

ROUNDING OF AMOUNTS

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

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:

	Director's Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
Name	Held	Attended	Held	Attended	Held	Attended
Robin Levison	10	10	5	5	4	4
Lachlan McIntosh	10	10	5	5	4	4
Greg Rekers	10	10	-	-	-	-
Kerry Potter	10	10	-	-	-	-
Nirmal Hansra	10	10	5	5	4	4

INFORMATION ON DIRECTORS

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

Robin Levison – Executive Chairman

Robin Levison holds a Masters of Business Administration from the University of Queensland and is a Member of the Institute of Chartered Accountants in Australia. Robin has 15 years of Public Company Management experience. During this time he served as managing Director at Industrea Limited and Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Robin is also a Deputy Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council, and is a Graduate and Fellow of Australian Institute of Company Directors.

Other listed company directorships in the last 3 years: PPK Group Limited, Industrea Limited (from May 2005 to December 2012).

Special responsibilities: Chair of the Board.

Lachlan McIntosh – Non-Executive Director

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: Industrea Ltd (from May 2004 to December 2012), New Guinea Gold Corporation (April 2013 to April 2014) and Onterran Limited (from 11 October 2014).
Special responsibilities: Member of Audit & Risk Committee, Member of Nomination & Remuneration Committee.

Directors' Report

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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 group 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

Special responsibilities: 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

Special responsibilities: nil

Nirmal Hansra – Non-Executive Director

Nirmal holds a Master of Commerce (Business Management) 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 Practicing Accountants.

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

Nirmal is Chair of Campbell Page Ltd, non-executive director and chairman of the finance, audit and risk committee of Kuringai Financial Services Limited, Council of the Ageing (COTA) in New South Wales and NF Australia Limited. He is also a non-executive director of Have A Voice Pty Ltd.

Other listed company directorships in the last 3 years: nil

Special responsibilities: Chair of Audit & Risk Committee, Chair of Nomination & Remuneration Committee

COMPANY SECRETARY

Oliver Schweizer – Company Secretary

Oliver was appointed Company Secretary in June 2014. Oliver has a Bachelor of Economics degree and is a Chartered Financial Analyst. Oliver has over 15 years' experience in commercial accounting, finance, investments and listed entities.

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:

Ryan Maddock – Chief Financial Officer

Ryan Maddock is a Chartered Accountant and has a Bachelor of Business with a Major in Accounting from Griffith University. He has over 12 years of accounting experience working in both Australia and North America and most recently held the role of Senior Financial Accountant at a Perth-based TSX-listed company. Prior to that he held the roles of Audit Manager at KPMG and Accountant at PKF.

Directors' Report

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INTEREST IN SHARES AND OPTIONS HELD AT THE DATE OF THIS REPORT

	Ordinary shares	Options over ordinary shares
Directors		
Robin Levison	12,590,808	-
Lachlan McIntosh	11,916,166	-
Nirmal Hansra	583,334	-
Greg Rekers	2,140,608	-
Kerry Potter	2,906,442	-
Directors Total	30,137,358	-
Executives		
Ryan Maddock	88,450	-
Executives Total	88,450	-

OPTIONS

There were no options outstanding during the financial year and up to the date of the Directors' report.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Eureka Group Holdings Limited's non-executive directors', executive directors and other key management personnel ("KMP") of Eureka Group Holdings Limited for the year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

This remuneration report has been set out under the following headings:

a) Principles of compensation of key management personnel
b) Details of remuneration
c) Non-executive director remuneration policy
d) Service agreements
e) Relationship between remuneration and Company performance
f) Remuneration consultants
g) Equity Instruments held by Key Management Personnel
h) Loans to/from Key Management Personnel
i) Other transactions with Key Management Personnel

(a) 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 Nomination & 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.

Remuneration comprises the following:

- base pay (salaries/fees) and benefits, including superannuation;
- short-term incentives (bonuses); and
- long-term incentives such as options and shares (although long-term incentives are not immediately contemplated).

Directors' Report

The performance of the Group 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 agreements and the Company's performance in the 2016 financial year.

Remuneration for certain individuals is directly linked to performance of the Group. Bonus payments are dependent on key criteria, refer to the table in section (e) Relationship Between Remuneration and Company Performance for further details.

The Nomination & 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.

(b) DETAILS OF REMUNERATION

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. At the date of this report, the key management personnel of the Group are:

Name	Role	Period in role
Robin Levison	Executive Director/Chair	24/12/2013 – ongoing
Lachlan McIntosh	Non-Executive Director	20/07/2009 – ongoing
Nirmal Hansra	Non-Executive Director	24/04/2012 – ongoing
Greg Rekers	Executive Director/Head of Real Estate	24/04/2012 – ongoing
Kerry Potter	Executive Director/Chief Operating Officer	24/04/2012 – ongoing
Ryan Maddock	Chief Financial Officer	16/06/2014 – ongoing

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Directors' Report

Key management personnel remuneration for the year ended 30 June 2016 and 30 June 2015:

	Short term		Post employment	Share based payments	Other long term benefits	Termination payments	Total	Performance related	% of bonus that was paid	% of bonus that was forfeited
	Salary/ fees $	Bonus $	Super-annuation $	$	$	$	$	%		
30 June 2016										
Directors										
Robin Levison	105,000	-	-	-	-	-	105,000	-	-	-
Lachlan McIntosh	39,000	-	-	-	-	-	39,000	-	-	-
Nirmal Hansra	37,998	-	-	-	-	-	37,998	-	-	-
Greg Rekers	229,241	100,000	-	-	-	-	329,241	50%	100%	-
Kerry Potter	229,241	100,000	-	-	-	-	329,241	50%	100%	-
Directors Total	640,480	200,000	-	-	-	-	840,480			
Executives										
Ryan Maddock	141,294	40,539	17,697	-	-	-	199,530	-	100%	-
Executives Total	141,294	40,539	17,697	-	-	-	199,530			
Total	781,774	240,539	17,697	-	-	-	1,040,010			
30 June 2015										
Directors										
Robin Levison	60,000	-	-	-	-	-	60,000	-	-	-
Lachlan McIntosh	36,000	-	-	-	-	-	36,000	-	-	-
Nirmal Hansra	32,002	-	-	-	-	-	32,002	-	-	-
Greg Rekers	284,500	-	-	-	-	-	284,500	-	-	100%
Kerry Potter	284,500	-	-	-	-	-	284,500	-	-	100%
Directors Total	697,002	-	-	-	-	-	697,002			
Executives										
Ryan Maddock	144,399	-	14,133	-	-	-	158,532	-	-	-
Sharon Alderwick[1]	61,039	-	5,700	-	-	-	66,739	-	-	100%
Executives Total	205,438	-	19,833	-	-	-	225,271			
Total	902,440	-	19,833	-	-	-	922,273			

[1] Sharon Alderwick ceased as key management personnel on 31 December 2014.

(c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. The Nomination & Remuneration Committee reviews non-executive directors' fees and payments annually. 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	**$**
Robin Levison – Executive Chairman	120,000
Lachlan McIntosh – Non-Executive Director	40,000
Nirmal Hansra – Non-Executive Director	40,000

No superannuation has been paid to non-executive directors.

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Directors' Report

(d) 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 Rekers *(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 Rekers a lump sum equal to the value of the salary package for one year. The agreement may be terminated by Mr Rekers with 3 months' notice. The agreement may also be terminated by the Company in the event of grave misconduct.

Details:
Mr Rekers remuneration comprises a consulting fee of $200,000 plus 30% of all sales commissions (consulting fee is half of the total payment to Navigator Property Group) and a travel allowance of $24,000. Mr Rekers' remuneration also comprises additional short-term 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 Rekers 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 Rekers. Upon termination subject to adherence of contractual clauses, Mr Rekers is entitled to a lump sum equal to the value of the salary package for 1 year. Mr Rekers 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 be terminated by Mr Potter with 3 months' notice. 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 30% 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 short-term 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.

Ryan Maddock (Chief Financial Officer)
Agreement Commenced 16 June 2014
Term of the Agreement:
The agreement may be terminated by either the Company or Mr Maddock with six weeks' notice or by the Company in the event of a material breach of misconduct by Mr Maddock.

Details:
Mr Maddock's remuneration increased from a salary of $140,000 plus superannuation to $182,648 plus superannuation from 9 May 2016. Mr Maddock's remuneration is not linked to the company's performance and he is entitled to a bonus at the Directors' discretion. Mr Maddock is responsible for the finance division and the accounting and finance functions of the Company and its associated companies. The directors believe that the remuneration is appropriate for the duties allocated to Mr Maddock. In the event the Group is purchased by or merged with another company and, if as a result of that purchase or merger Mr Maddock is terminated, the Group must pay Mr Maddock the monthly remuneration for a period of three months. There are no other pay-outs upon resignation or termination, outside of industrial regulations.

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Directors' Report

(e) 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:

	2016	2015	2014	2013	2012
Total Revenue $'000	24,155	12,213	10,662	10,874	15,593
Net Profit before tax $'000	10,467	3,105	661	75	686
EBITDA $'000	12,468	4,129	1,512	865	1,632
Earnings per share (cents per share)	5.19	2.24	0.80	0.10	1.37
Share price at year end	0.79	0.51	0.12	0.065	0.10
Dividend per share	0.00	0.00	0.00	0.00	0.00

(f) REMUNERATION CONSULTANTS

The Group did not engage any remuneration consultants during the 2016 financial year.

(g) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

Shares held

The numbers of securities held during the financial year by each director 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 2015	Received as remuneration	Shares acquired	Shares disposed	Conversion of notes	Balance 30 June 2016
Directors						
Robin Levison	12,349,608	-	200,000	-	-	12,549,608
Lachlan McIntosh	12,646,166	-	-	(750,000)	-	11,896,166
Nirmal Hansra	583,334	-	-	-	-	583,334
Greg Rekers	2,884,266	-	-	(763,658)	-	2,120,608
Kerry Potter	2,866,442	-	-	-	-	2,866,442
Executives						
Ryan Maddock	88,450	-	-	-	-	88,450
Total	31,418,266	-	200,000	(1,513,658)	-	30,104,608

Options held

There were no options over ordinary securities held during the financial year by any of the directors of the Group or other key management personnel of the Group, including their personally related parties.

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Directors' Report

(h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

As at 30 June 2016, total loans outstanding to Kathlac Pty Ltd, an entity associated with Lachlan McIntosh, from Eureka Group Holdings Limited, was nil (2015: nil).

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Balance at beginning of year	-	100,099
Increase in loan amount	410,000	490,000
Loan repayments made	(411,105)	(596,082)
Interest charged	1,105	5,983
Conversion of debt to convertible notes/shares	-	-
Amount included in current financial liabilities – Shareholder Loans	-	-

The following convertible notes were converted into shares during the year:

	Consolidated	
	30 June 2016	30 June 2015
	$	$
Convertible Note: Kathlac Pty Ltd		
(entity associated with Lachlan McIntosh)		
Balance at beginning of the year	-	51,247
Proceeds received on issue of convertible notes	-	-
Interest charged	-	1,082
Interest paid	-	(2,329)
Conversion of convertible notes to shares	-	(50,000)
Balance at end of the year – current liability	-	-
Convertible Note: Ignition Capital Pty Ltd and Ignition Capital No. 2 Pty Ltd		
(entities associated with Robin Levison)		
Balance at beginning of the year	-	409,973
Proceeds received on issue of convertible notes	-	-
Interest charged	-	13,479
Interest paid	-	(23,452)
Conversion of convertible notes to shares	-	(400,000)
Balance at beginning of the year – current liability	-	-

There were no loans to any director or key management personnel at any time during the year and prior year.

(i) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Dotted Line Pty Ltd
The Company trades from a premises owned by Dotted Line Pty Ltd, an entity associated with Greg Rekers. The premises is rented on commercial terms. Rent totalling $39,600 was paid during the year (2015: $39,600). As at 30 June 2016 the amount outstanding to Rekers Family Trust was $nil (2015: $nil).

Greg Rekers and Associates
Greg Rekers and Associates, a business associated with Greg Rekers, was paid fees of $22,000 for providing due diligence research and advice during the year.

Griffith Scenic Village Pty Ltd
Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $8,414 on commercial terms (2015: $7,566). As at 30 June 2016 the amount outstanding from Griffith Scenic Village Pty Ltd Pty Ltd was $25,480 (2015: $25,480).

Griffith Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $22,178 for Manager's unit rental fees on commercial terms (2015: $22,178). As at 30 June 2016 the amount outstanding to Griffith Scenic Village Pty Ltd was $nil (2015: $5,545).

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Directors' Report

Gladstone Scenic Village Pty Ltd
Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, paid the Group management fees of $8,044 on commercial terms (2015: $14,401). As at 30 June 2016 the amount outstanding from Gladstone Scenic Village Pty Ltd was $nil (2015: $nil).

Gladstone Scenic Village Pty Ltd, an entity associated with Lachlan McIntosh, was paid $29,229 for Manager's unit rental fees on commercial terms (2015: $17,050). As at 30 June 2016 the amount outstanding to Gladstone Scenic Village Pty Ltd was $nil (2015: $nil).

Elizabeth Vale Scenic Village Pty Ltd
Elizabeth Vale Scenic Village Pty Ltd, an entity historically associated with Lachlan McIntosh, paid the Group management fees of $nil on commercial terms (2015: $34,705).

Elizabeth Vale Scenic Village Pty Ltd, an entity historically associated with Lachlan McIntosh, was paid $nil for Manager's unit rental fees on commercial terms (2015: $22,249). The entity is now wholly owned by EGH.

22 Capital Pty Ltd
During the year, 22 Capital Pty Ltd, an entity associated with Lachlan McIntosh, was paid $375,815 in consulting fees. At 30 June 2016 the amount outstanding to 22 Capital Pty Ltd was $66,000(2015: $nil).

Ignition Equity Partners Pty Ltd
During the year, Ignition Equity Partners Pty Ltd, an entity associated with Robin Levison, received investor relations and capital raising fees of $346,740 on commercial terms (2015: $158,812). At 30 June 2016 the amount outstanding to Ignition Equity Partners Pty Ltd was $206,250 (2015: $nil).

Ignition Capital Pty Ltd
During the year, there were no convertible notes issued or converted to Ignition Capital Pty Ltd, an entity associated with Robin Levison (2015: 300,000 converted). At 30 June 2016 the amount outstanding from Ignition Capital Pty Ltd was nil (2015: $nil).

Ignition Capital No. 2 Pty Ltd
During the year, there were no convertible notes issued or converted to Ignition Equity Capital Pty Ltd, an entity associated with Robin Levison, (2015: 100,000 converted). At 30 June 2016 the amount outstanding from Ignition Capital Pty Ltd was nil (2015: $nil).

This concludes the remuneration report, which has been audited.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, 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 28 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, 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.

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Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 61.

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

Robin Levison
Executive Chairman

Dated in Brisbane this 25th day of August, 2016.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 30 June 2016 $'000	30 June 2015 $'000
Revenue	3	19,106	10,851
Other income	3	5,049	1,361
Expenses			
Village operating costs		(8,804)	(5,946)
Impairment – trade receivables		(37)	(47)
Employee benefits expenses		(1,172)	(716)
Finance expense	4	(1,733)	(858)
Marketing expenses		(274)	(120)
Consultancy expenses		(151)	(223)
Depreciation & amortisation expenses	4	(268)	(166)
Lease expenses	4	(255)	(372)
Other expenses		(994)	(659)
Profit before income tax expense		10,467	3,105
Income tax expense	5	-	-
Profit after income tax expense		10,467	3,105
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 year, net of tax		-	-
Total comprehensive income for the year		10,467	3,105
Basic earnings per share (cents per share)	23	5.19	2.24
Diluted earnings per share (cents per share)	23	5.19	2.24

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

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Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Note	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
Current Assets			
Cash and cash equivalents	19	6,841	5,154
Trade and other receivables	6	3,434	306
Inventories	7	6,300	20
Other assets	8	819	159
Loans receivable	10	66	84
Total current assets		17,460	5,723
Non-Current Assets			
Loans receivable	10	539	541
Investment property	12	86,472	39,689
Property, plant and equipment	13	1,232	878
Intangible assets	14	5,620	5,003
Total non-current assets		93,863	46,111
Total Assets		111,323	51,834
Current Liabilities			
Trade and other payables	15	3,688	608
Other financial liabilities	17	5,123	394
Provisions	16	144	64
Total current liabilities		8,955	1,066
Non-current liabilities			
Other financial liabilities	17	37,393	18,913
Provisions	16	41	-
Total non-current liabilities		37,434	18,913
Total Liabilities		46,389	19,979
Net Assets		64,934	31,855
Equity			
Share capital	18	90,860	68,248
Accumulated losses		(25,926)	(36,393)
Total Equity		64,934	31,855

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

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Consolidated Statement of Cash Flows

AS AT 30 JUNE 2016

	Note	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
Cash Flows from Operating Activities			
Receipts from customers		17,030	10,957
Payments to suppliers & employees		(11,247)	(8,216)
Interest received		44	61
Interest paid		(1,587)	(883)
Net Cash provided by/(used) in Operating Activities	19(b)	4,240	1,919
Cash Flows from Investing Activities			
Payments for investment properties		(40,514)	(22,517)
Payments for property, plant & equipment		(111)	(159)
Proceeds from the sale of intangible assets		482	990
Payments for loans provided		(1,141)	(769)
Repayments of loans provided		178	142
Payments for intangible assets		(803)	(437)
Net Cash provided by/(used) in Investing Activities		(41,909)	(22,750)
Cash Flows from Financing Activities			
Proceeds from borrowings		18,637	11,862
Repayment of borrowings		(827)	(5,109)
Payments of transaction costs related to borrowings		(250)	(63)
Proceeds from share issues	18	22,900	18,700
Payments for share issue costs		(1,104)	(690)
Net Cash provided by/(used in) Financing Activities		39,356	24,700
Net increase/(decrease) in cash and cash equivalents		1,687	3,869
Cash and cash equivalents at the beginning of the financial year		5,154	1,285
Cash and cash equivalents at the end of the financial year	19(a)	6,841	5,154

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

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Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Share Capital $'000	Consolidated Accumulated Losses $'000	Total $'000
For the year ended 30 June 2016			
Balance at 1 July 2015	68,248	(36,393)	31,855
Profit for the year	-	10,467	10,467
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	10,467	10,467
Transactions with owners in their capacity as owners:			
Share issued during the year	23,920	-	23,920
Capital raising costs	(1,308)	-	(1,308)
Balance at 30 June 2016	90,860	(25,926)	64,934
For the year ended 30 June 2015			
Balance at 1 July 2014	46,035	(39,498)	6,537
Profit for the year	-	3,105	3,105
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	3,105	3,105
Transactions with owners in their capacity as owners:			
Share issued during the year	22,925	-	22,925
Capital raising costs	(712)	-	(712)
Balance at 30 June 2015	68,248	(36,393)	31,855

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

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

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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 2016 is a company incorporated and domiciled in Australia. EGH is a for-profit entity for the purposes of preparing the financial statements.

The Group's operations and principal activities comprise ownership and property management of Senior Independent Living Communities.

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

The registered office of the company is Unit 7, 486 Scottsdale Drive, Varsity Lakes, QLD 4227.

The financial report was authorised for issue on 25 August 2016 by the Directors.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies adopted by the Group, 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

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, revised and amended Accounting 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.

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 2015.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties and derivative financial instruments.

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 2016 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

Where the Group 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 Group 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.

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

Where the business combination is achieved in stages, the Group 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 acquiree.

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.

REVENUE RECOGNITION

Rent Revenue
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Rent not received at balance date is reflected in the balance sheet as a receivable, or if paid in advance, as deferred revenue. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent. Rent revenue from investment properties is recognised on a straight-line basis over the lease term.

Management, Property Maintenance, Catering and Service Fees
The Group is entitled to receive a fee from unit owners for managing the units under management services agreements. The Group also receives a fee from the tenants of the units for the provision of property maintenance, catering and other services. The Group also provides property consulting services to third parties for agreed fees. 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.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

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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.

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.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

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 Group 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.

INVESTMENT PROPERTY

Investment property will be accounted for using the following accounting policy:

Land and buildings have the function of investment and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated.

Transfers from investment property to inventory are determined by a change of use as evidenced by a start of development with a view to subsequent sale. The investment property are recognised at the date of transfer at fair value which, as inventory, is considered deemed cost.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise.
Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on date of change of use.

Fair value is determined from market based evidence, by an appraisal undertaken by a professionally qualified valuer with experience in the location, category of the investment property, reputation, independence and whether professional standards are maintained. It is the Group's policy to have all investment properties externally valued at intervals of not less than three years or a third of the properties each year. Internal valuations are undertaken with reference to current market conditions and available information for those investment properties not externally valued at each reporting date. It is the policy of the Group to review the fair value of each investment property at each reporting date and to cause investment properties to be revalued to fair values.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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 Group. Rates used for each class of asset are:

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

INTANGIBLE ASSETS

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

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 (for strata-titled villages), or over the period of the management right contract (for single-owner villages).

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FOR THE YEAR ENDED 30 JUNE 2016

Rent rolls have a finite life and are carried at the lower of cost or recoverable amount. Rent 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 not amortised, instead 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.

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 other comprehensive income.

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.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets including investment properties, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

FINANCIAL ASSETS AND LIABILITIES

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group 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 Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligation specified in the contract expire or are discharged or cancelled.

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.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) 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.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of the disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group 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.

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 is 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

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FOR THE YEAR ENDED 30 JUNE 2016

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.

EMPLOYEE BENEFITS

Short-term Employee Benefits
Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities, 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-term Employee Benefits
The liabilities for annual leave and long service leave expected to not be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 corporate bond rates with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

PROVISIONS

Provisions are recognised when the Group 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.

RETIREMENT VILLAGE RESIDENT LOANS

These loans, which are repayable on the departure of the resident, are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. The fair value of the obligation is measured as the ingoing contribution plus the resident's share of capital appreciation to reporting date. Although the expected average residency term is more than ten years, these obligations are classified as current liabilities, as required by Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date.

This liability is stated net of accrued deferred management fees at reporting date, because the Group's contracts with residents require net settlement of those obligations.

FINANCE COSTS

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. Finance costs incurred whilst qualifying assets 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.

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.

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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.

LEASES

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

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.

CAPITAL MANAGEMENT

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

The Group 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 take the necessary action to ensure sufficient funds are available.

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 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 Group 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 to note 14 for further information.

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Amortisation of Management Rights

Management rights are amortised over either 40 years (for strata-titled villages) or the period of the management right contract (for single-owner villages).

For strata-titled villages where management rights are attached, the Group amortises its management rights over a period of 40 years (being the estimated useful life). The amortisation period used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. In determining the useful life, the Group 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.

For Single-owner villages where management rights are attached, its management rights are amortised over the life of the contract. This is because Eureka has materially less control over future contract renewals than it does with the strata-titled villages. Eureka considers that it has materially less control over future contract renewals in single-owner villages primarily because: (a) it does not own or have any sort of tenure in respect of the managers unit; and (b) a single vote of the owner can elect to not renew Eureka's management rights contract.

Investment Property – Classification

The Group classifies property as investment property when it meets the following key criteria:

- The property is held by the Group to generate long term investment growth and ongoing rental returns; and
- Ancillary services are insignificant to the arrangement as a whole.

Associated with these properties are insignificant ancillary services – principally the provision of food services to residents. Judgement is required as to whether the ancillary services are significant. Management has determined that the ancillary services are not significant by comparing the fair value of the ancillary services to the total income generated from the property. In addition, qualitative factors have been considered as part of the assessment of ancillary services including both operational and legislative considerations. An assessment of the qualitative and economic factors associated with these services has been made and the ancillary services have been concluded not to be significant and hence property has been recorded as investment property.

Properties that do not meet this criteria are classified as property, plant and equipment.

Investment Property – Measurement

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the Group determines a property's value within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

a) Acquisition price paid for the property;
b) Recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
c) Capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity and capitalisation rate derived from analysis of market evidence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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 fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of Deferred Tax Assets

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

PARENT ENTITY

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 29. The accounting policies of the parent entity are consistent with those of the Group, 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 2015 reporting periods. Eureka Group Holdings Limited assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

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AASB 16 Leases
The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

3. REVENUE

	Consolidated	
	30 June 2016 $'000	**30 June 2015 $'000**
Revenue		
Catering – managed properties	3,243	4,530
Catering – owned properties	1,338	513
Service fees	1,312	1,497
Management	-	17
Property maintenance and consulting services	2,992	1,366
Rental income	9,735	2,888
Other revenue	486	40
	19,106	10,851
Other Income		
Interest revenue	314	61
Forgiveness of debt	-	50
Net fair value gain on investment properties	4,041	874
Gain on sale of management rights	450	299
Other income	244	77
	5,049	1,361

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4. ITEMS INCLUDED IN PROFIT/(LOSS)

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Profit/(loss) before income tax expense includes the following specific items:		
Rental expense relating to operating leases		
- Minimum lease payments	255	372
Finance cost		
- Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	1,733	858
Total finance cost	1,733	858
Amortisation		
- Management rights	151	127
- Sale rolls	3	4
- Website	1	1
Total amortisation	155	132
Depreciation		
- Plant & equipment	86	25
- Buildings	20	8
- Motor vehicles	7	1
Total depreciation	113	34
Defined contribution superannuation expense	238	78

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5. INCOME TAX

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
The major components of income tax expense for the years ended 30 June 2016 and 2015 are:		
Consolidated Statement of Profit or Loss		
Current income tax	-	-
Deferred income tax	-	-
Income tax expense reported in the Statement of Profit or Loss	-	-
A reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate of 30% presents as follows:		
Accounting profit before tax	10,467	3,105
Income tax calculated at 30%	3,140	932
Tax effect of permanent differences	1	48
Recognition of deferred tax assets not previously recognised	(3,141)	(980)
Income tax expense reported in the Statement of Profit or Loss	-	-

6. TRADE AND OTHER RECEIVABLES

Trade debtors	2,102	182
Other debtors	354	145
Financing extended	1,076	-
Provision for impairment	(98)	(21)
	3,434	306

Trade receivables are non-interest bearing (unless otherwise stated) and are generally on 30 day terms.

During the period, short term financing has been extended to a third party. The financing incurs interest at 28% to 72% p.a. and is due to be received within 12 months. The amounts advanced are secured over assets of the third party.

7. INVENTORIES

Catering inventory – at cost	29	20
Terranora units	6,271	-
	6,300	20

The Terranora units during the period were transferred from investment property and the balance represents 80 units. The units were recognised at the date of transfer at fair value which, as inventory, is considered deemed cost. The costs of additional development are capitalised to the inventory as incurred. Inventory is recorded at the lower of cost and net realisable value. No valuation adjustments were required at 30 June 2016. The inventory is expected to be realised within 12 months via sales to third parties.

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8. OTHER ASSETS

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Security deposits	4	4
Prepayments	194	155
Capital replacement funds	621	-
	819	159

A statutory charge, imposed under the Retirement Villages Act 1999 (Qld), exists over all amounts held in capital replacement funds, which restricts the use for which these funds can be applied.

9. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Recognised in the Statement of Financial Position		
Deferred tax assets		
Tax losses	2,812	437
Deferred tax liabilities		
Difference in depreciation for tax and accounting	(187)	(131)
Investment properties	(2,869)	(262)
Net (assessable) and deductible differences on sundry items	244	(44)
Net deferred tax assets	-	-
Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets		
Tax losses	6,589	9,412
Net (assessable) and deductible differences on sundry items	-	-
Net unrecognised deferred tax assets	6,589	9,412
Reconciliation of Unrecognised tax balances		
Opening unrecognised amounts	9,412	10,391
Recognition of temporary differences	-	1
Recognition and use of tax losses	(3,260)	(543)
Adjustment to prior period balances	437	(437)
Total movement	(2,823)	(979)
Closing balance	6,589	9,412

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 Group can utilise these benefits. The benefits of the Group's recognised and unrecognised tax losses will only be realised if (a) The Group continues to meet the requirements of applicable tax laws to allow the losses to be carried forward and utilised; (b) the Group earns taxable income in future periods; and (c) Applicable tax laws are not changed, causing the losses to be unavailable.

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10. LOANS RECEIVABLE

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Loans – vendor finance	605	625
	605	625
Current	66	84
Non-current	539	541
	605	625

The group acquired a loan book as part of the purchase of Elizabeth Vale Scenic Village Pty Ltd. Security for the loan consists of a first ranking mortgage over the property to which the loan pertains.

Vendor finance loans have maturity dates of between 6.5 and 8.1 years and interest is payable on these loans at a rate of between 5.50%-6.25%.

11. INVESTMENT IN SUBSIDIARIES

		Equity Holding	
	Country of Incorporation	30 June 2016 %	30 June 2015 %
Compton's Caboolture Pty Ltd	Australia	100%	100%
Compton's Villages Australia Unit Trust	Australia	100%	100%
Easy Living (Bundaberg) Unit Trust	Australia	100%	100%
Easy Living Unit Trust	Australia	100%	100%
ECG No. 1 Pty Ltd	Australia	100%	100%
EGL Finance Pty Ltd	Australia	100%	-
Elizabeth Vale Scenic Village Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%
Eureka Care Communities (Morphetville) Pty Ltd	Australia	100%	-
Eureka Care Communities (Mount Gambier) Pty Ltd	Australia	100%	-
Eureka Care Communities (Mount Gambier 2) Pty Ltd	Australia	100%	-
Eureka Care Communities (Mount Gambier 3) Pty Ltd	Australia	100%	-
Eureka Care Communities (Salisbury) Pty Ltd	Australia	100%	-
Eureka Care Communities (Wynnum) Pty Ltd	Australia	100%	-
Eureka Care Communities Unit Trust	Australia	100%	100%
Eureka Cascade Gardens (Belgian Gardens) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Bowen) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Cairns) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Couran Cove) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Lismore) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Margate) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Orange) Pty Ltd	Australia	100%	-
Eureka Cascade Gardens (Southport) Pty Ltd	Australia	100%	-
Eureka Group Care Pty Ltd	Australia	100%	100%
Eureka Property Pty Ltd	Australia	100%	100%
Eureka Easy Living Pty Ltd	Australia	100%	100%

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Fig Investments Pty Ltd	Australia	100%	-
Rockham Two Pty Ltd	Australia	100%	-
Rockham Unit Trust	Australia	100%	-
SCV Leasing Pty Ltd	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
SCV No. 1 Pty Ltd	Australia	100%	100%
SCV No. 2 Pty Ltd [1]	Australia	100%	100%

There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

[1] The entity was deregistered on 4 September 2015.

12. INVESTMENT PROPERTY

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Investment properties at fair value	86,472	39,689
Movements in investment properties:		
Balance at beginning of reporting period	39,689	6,658
Acquisitions	49,013	31,836
Transfer to inventory	(6,271)	-
Reclassification from property, plant and equipment	-	50
Transfer from assets classified as held for sale	-	271
Net increment due to fair value adjustment	4,041	874
Balance at end of reporting period	86,472	39,689

The Group's investment properties are shown individually in the table below. The investments consist of twenty-three retirement village assets along with associated manager's units, surplus land and other rental units. The Group considers their investments reside in one class of asset – Seniors Rental Villages.

The net change in fair value is recognised in profit or loss as net gain/(loss) on change in fair value of investment properties.

Fair value hierarchy disclosures for investment properties have been provided in Note 21.

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FOR THE YEAR ENDED 30 JUNE 2016

Amounts recognised in profit or loss for investment properties:

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Rental income	9,737	3,811
Direct operating expenses	(6,088)	(1,812)
Fair value gain recognised in other income	4,071	874

The group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Certain assets are however pledged as security for borrowings – Refer to note 17(a).

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying amount 30 Jun 16 $'000	Carrying amount 30 Jun 15 $'000
92 Primrose Street Belgian Gardens	Belgian Gardens QLD	Jun-16	1,000	-
Bowen Village	Bowen QLD	Dec-15	1,320	-
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	4,791	4,236
Lot 21 134-136 King Street Caboolture	Caboolture QLD	Sep-12	70	70
Lot 43 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	May-14	280	277
53 & 54 34 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	140	140
80 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	280	277
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,687	3,622
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	252	250
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	4,536	4,230
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	3,900	3,900
Rockhampton Village 1	Frenchville QLD	Oct-15	2,831	-
Rockhampton Village 2	Frenchville QLD	Dec-15	4,521	-
Lot 49 Hackham Community Centre (manager's unit)	Hackham SA	Oct-14	291	290
97 144 Main South Road Hackham	Hackham SA	May-15	291	290
33 Mardross Court Lavington	Lavington VIC	Jun-15	3,450	2,550
Lismore Village	Lismore NSW	May-15	4,264	4,000
Cascade Gardens Mackay	Mackay QLD	Apr-14	7,511	6,534
43 Macdonnell Court Margate	Margate QLD	Jun-16	2,789	-
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	3,100	2,549
Lambert Village	Mt Gambier SA	Sept-15	2,311	-
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	4,296	-
Amber Lodge	Morphettville SA	Jun-16	4,475	-
Alexam Place	Salisbury East SA	Feb-16	4,600	-
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	2,925	1,850
84 10 Winani Street Slacks Creek (manager's unit)	Slacks Creek QLD	Jul-04	171	165
7 Meron Street Southport	Southport QLD	Jun-16	3,373	-
Couran Cove	South Stradbroke Island QLD	Jun-16	1,975	-
61 Marana Street Bilambil Heights	Bilambil Heights NSW	Dec-15	2,700	-
Lot 20 56A Moores Pocket Road Tivoli (manager's unit)	Tivoli QLD	Mar-15	80	80
Myall Place Retirement Village	Whyalla SA	Jan-15	4,164	4,379
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,098	-
			86,472	39,689

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13. PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Buildings at cost	642	642
Accumulated depreciation	(176)	(156)
	466	486
Plant & equipment at cost	1,439	1,139
Accumulated depreciation	(752)	(761)
	687	378
Motor Vehicles at Cost	88	15
Accumulated depreciation	(9)	(1)
	79	14
Total property, plant & equipment	1,232	878

Property, plant and equipment is pledged as security – refer note 17(a)

Reconciliation of movements in property, plant & equipment:

	Buildings $'000	Plant & Equipment $'000	Motor Vehicle $'000	Total $'000
Opening balance at 1 July 2014	553	217	-	770
Additions at cost	2	222	15	239
Reclassification to investment property	(11)	(36)	-	(47)
Transfer (to)/from assets held for sale	(50)	-	-	(50)
Depreciation expense	(8)	(25)	(1)	(34)
Closing balance at 30 June 2015	486	378	14	878
Opening balance at 1 July 2015	486	378	14	878
Additions at cost	-	395	72	467
Reclassification to investment property	-	-	-	-
Transfer (to)/from assets held for sale	-	-	-	-
Depreciation expense	(20)	(86)	(7)	(113)
Closing balance at 30 June 2016	466	687	79	1,232

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14. INTANGIBLE ASSETS

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Management rights – at cost	4,512	3,859
Accumulated amortisation	(964)	(929)
Carrying amount of management rights	3,548	2,930
Rent rolls – at cost	140	140
Accumulated amortisation	(35)	(31)
Carrying amount of sale rolls	105	109
Other intangibles – at cost	41	37
Accumulated amortisation	(29)	(28)
Carrying amount of other intangibles	12	9
Goodwill	1,955	1,955
Total intangible assets	5,620	5,004

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.

Impairment tests for Goodwill

Goodwill is monitored by the Board of Directors (who are identified as the chief operating decision makers) based on the share of results of the owner operators net profit of the villages that EGH manages, less any overhead costs attributable to the management of these villages. Goodwill has been allocated to the property management cash generating unit.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions.

The calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long term growth rate.

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:

- cash flows were projected over a five year period by applying a 2% growth rate (2015: 2%) to the most recent years' cash flows;
- the terminal value was calculated using a growth rate of 2% (2015: 2%);
- cash flows have been discounted using a pre-tax discount rate of 25% (2015: 25%);
- cash flows do not take into account the management of any new villages; and
- 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.

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Reconciliation of movements in intangible assets:

	Management Rights $'000	Rent Rolls $'000	Goodwill $'000	Other intangibles $'000	Total $'000
Opening balance at 1 July 2014	2,734	111	1,955	8	4,808
Additions at cost	534	1	-	2	537
Impairment of management rights	-	-	-	-	-
Transfer to/from assets held for sale	(209)	-	-	-	(209)
Amortisation expense	(127)	(4)	-	(1)	(132)
Closing balance at 30 June 2015	2,932	108	1,955	9	5,004
Opening balance at 1 July 2015	2,932	108	1,955	9	5,004
Additions at cost	800	-	-	3	803
Impairment of management rights	-	-	-	-	-
Disposals	(33)	-	-	-	(33)
Amortisation expense	(151)	(3)	-	(1)	(155)
Closing balance at 30 June 2016	3,548	105	1,955	11	5,619

The remaining amortisation period on a weighted average basis of the management rights are 23 years (2015: 23 years).

15. TRADE & OTHER PAYABLES

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Trade creditors and accruals	1,435	499
Retirement Village Resident Loans[1]	1,162	-
Capital Replacement Obligations	621	-
Acquisition related accruals	470	-
Deferred consideration	-	109
	3,688	608

[1] Retirement Village Resident Loans are measured at fair value – refer to Note 21.

16. PROVISIONS

Current		
Employee benefits	144	64
	144	64
Non-current		
Employee benefits	41	-
	41	-

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17. OTHER FINANCIAL LIABILITIES

		Consolidated	
		30 June 2016 $'000	30 June 2015 $'000
Current			
Commercial bills – secured	(a)	5,087	356
Insurance funding		12	10
Finance lease		8	24
Motor vehicle loan		16	4
		5,123	394
Non-current			
Commercial bills – secured	(a)	37,374	18,904
Finance lease		9	-
Motor vehicle loan		10	9
		37,393	18,913

(a) Commercial bills and advances

Terms and conditions – 30 June 2016

As at 30 June 2016, the Group has access to the following facilities:

National Australia Bank ("NAB"):

- Commercial bill – secured fully drawn limit of $2,349,000. Expires on 31 January 2017. Principal repayment of $30,000 per month. Interest is payable at a variable rate on this facility (currently 4.49%).
- Commercial bill – secured fully drawn limit $16,700,000. Expires on 31 December 2019. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2019. Interest is payable at the rate of 4.98% on $7,000,000 and 4.99% on $9,700,000.
- Commercial bill – secured fully drawn limit of $2,525,000. Expires on 29 March 2018. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.44%).
- Commercial bill – secured fully drawn limit of $3,700,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate of 4.85%.
- Commercial bill – secured fully drawn limit of $3,000,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.86%).
- Commercial bill – secured fully drawn limit of $6,500,000. Expires on 31 August 2020. Monthly interest only repayment. Interest is payable at a fixed rate on this facility of 4.97%.
- Commercial bill – secured fully drawn limit of $2,800,000. Expires on 29 March 2019. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.45%).
- Commercial bill – secured fully drawn limit of $2,461,250. Expires on 30 June 2019. Monthly interest only repayment. Interest is payable at a variable rate on this facility (currently 4.39%).

Westpac Banking Corporation ("Westpac"):

- Commercial bill – secured fully drawn limit of $2,700,000. Expires on 31 December 2016. Monthly repayment of $100,000 per month commenced from April 2016. Interest is payable at a variable rate on this facility (currently 5.31%).

The loans are secured by:

- Registered mortgages over its managers' units and other real estate at its Communities (carrying amount of $92,758,611);
- Guarantee and indemnity given by EGH and its controlled entities ($31,045,250); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $110,701,756).

As at 30 June 2016, the Group had the following banking covenants:

- Minimum interest cover of 2.25 times as measured for the 3 month period ending on each quarter.
- Minimum capital adequacy of 30% as measured on a daily basis and reported quarterly.
- Minimum EBITDA of each of the freehold villages shall be as follows: Elizabeth Vale $202,300, Avenell Heights $172,550, Whyalla $165,750, Mackay $269,025, Smithfield $96,475, Elizabeth Vale 2 $153,000, Lismore $229,500,

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Mildura $129,625, Albury $108,800 Mt Gambier $127,500, Rockhampton 1 $160,650 and Rockhampton 2 $212,299, Wynnum $182,750, Terranora $168,128 and Salisbury $286,875.

The Group complied with its covenants through 30 June 2016.

Terms and conditions – 30 June 2015

As at 30 June 2015, the Group has access to the following facilities with the National Australia Bank ("NAB"):

- Commercial bill – secured fully drawn limit of $2,709,000 (2014: $3,069,000). Expires on 31 January 2017. Principal repayment of $30,000 per month. Interest is payable at a variable rate on this facility.
- Commercial bill – secured fully drawn limit $16,700,000 (2014: $3,800,000). Expires on 31 December 2019. Monthly interest only repayment. Interest on this facility has been fixed until 31 December 2019. Interest is payable at the rate of 4.99% on $7,000,000 and 4.98% on $9,700,000.

The loans are secured by:

- Registered mortgages over its managers' units and other real estate at its Communities (carrying amount of $39,689,242);
- Guarantee and indemnity given by EGH and its controlled entities ($20,947,000); and
- Fixed and floating charges over the assets of EGH and its controlled entities (carrying amount of $51,834,144).

As at 30 June 2015, the Group had the following banking covenants:

- Minimum interest cover of 2.25 times as measured for the 3 month period ending on each quarter.
- Minimum capital adequacy of 30% as measured on a daily basis and reported quarterly.
- Occupancy levels at Mackay, Cairns, Bundaberg, Elizabeth Vale and Whyalla shall not fall below 80% for these properties and reported half yearly; and
- EBITDA for Lismore Lake Holiday Park on a half yearly basis at a minimum of $215,000 per half year.

The Group complied with its covenants through 30 June 2015.

18. SHARE CAPITAL

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.

	Consolidated			
	30 June 2016 Number	30 June 2016 $'000	30 June 2015 Number	30 June 2015 $'000
Balance at start of year	188,099,927	68,248	98,349,930	46,035
Shares issued from conversion of convertible notes at $0.06	-	-	10,833,332	650
Shares issued at $0.10 for acquisition of management rights	-	-	1,000,000	100
Shares issued from conversion of convertible notes at $0.10	-	-	2,250,000	225
Shares issued at $0.15 for cash	-	-	9,333,333	1,400
Shares issued at $0.15 for acquisition of villages [1]	-	-	14,999,999	2,250
Shares issued at $0.25 for cash	-	-	20,000,000	5,000
Shares issued at $0.25 for acquisition of villages [2]	-	-	4,000,000	1,000
Shares issued at $0.45 for cash	-	-	27,333,333	12,300
Shares issued at $0.54 for cash	7,003,877	3,782	-	-
Shares issued at $0.54 for cash	12,255,383	6,618	-	-
Shares issued at $0.58 for acquisition of villages [3]	1,758,620	1,020	-	-
Shares issued at $0.75 for cash	16,666,666	12,500	-	-

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Capital raising costs	-	(1,308)	-	(712)
On issue at end of the year	225,784,473	90,860	188,099,927	68,248

[1] These shares were issued as part of the non-cash consideration paid to acquire the Easy Living Unit Trust and Easy Living (Bundaberg) Unit Trust during the prior period.

[2] These shares were issued as part of the non-cash consideration paid to acquire Elizabeth Vale Scenic Village Pty Ltd during the prior period.

[3] These shares were issued as part of the non-cash consideration paid to acquire Rockham Two Unit Trust during the period.

Options

No options were issued during the period.

19. CASH FLOW INFORMATION

	Consolidated	
	30 June 2016 $'000	**30 June 2015 $'000**
(a) Reconciliation of cash		
Cash at bank and on hand	6,841	5,154

(b) Reconciliation of profit/(loss) for the year to net cash flow from operating activities

	Consolidated	
	30 June 2016 $'000	**30 June 2015 $'000**
Profit/(loss) for the year	10,467	3,105
Depreciation and amortisation	268	166
Impairment – management rights	-	-
Impairment – assets held for sale	-	47
Asset revaluation	(4,041)	(874)
(Gain)/loss on sale of management rights and managers units	(450)	(299)
Other income	-	(72)
Forgiveness of debt	-	(50)
(Increase)/decrease in:		
- Trade and other receivables	(2,848)	62
- Inventories	(10)	(10)
- Other current assets	(39)	(106)
Increase/(decrease) in:		
- Trade and other payables	772	(76)
- Provisions	121	26
Net cash flow from/(used in) operating activities	4,240	1,919

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(c) Non cash investing and financing activities

During the financial year ended 30 June 2016, 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 assumed borrowings of $2,525,000 and issued $1,020,000 of shares as part of the acquisition of Rockhampton 2 village;
- The Group assumed borrowings of $3,000,000 as part of the acquisition of Mt Gambier 2 village; and
- The Group acquired $357,200 of plant and equipment with non-cash consideration.

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 issued $100,000 of shares for acquisition of management rights;
- The Group issued $3,250,000 of shares for acquisition of villages;
- The Group assumed borrowings of $3,700,000, investments of $235,124 and unitholder loans of $323,145 as part of the acquisition of Bundaberg and Elizabeth Vale 1;
- The Group acquired property, plant and equipment of $148,000 as settlement of trade receivables; and
- The Group assumed borrowings of $1,640,000 as part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd.

20. 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 Group 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 Group's cash and cash equivalents, receivables and other loans.

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Maximum exposure to credit risk		
Cash and cash equivalents	6,841	5,154
Trade and other receivables	3,434	306
Loans receivable	605	625
	10,880	6,085

Cash and cash equivalents
Deposits of cash are only held with approved banks and financial institutions. The Group currently banks with National Australia Bank.

Trade and other 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 Group 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.

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Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to trade and other receivables. The Group has no concentrations of credit risk that have not been provided for. A significant component of trade debtors that are past due and greater than 90 days ageing are either on a payment plan or considered recoverable. The Group has not provided for the remaining amounts past due as management believes these amounts will be received.

The ageing of trade receivables and other receivables at the reporting date was:

	30 June 2016		30 June 2015	
	Gross amount receivable $'000	Provision for Impairment $'000	Gross amount receivable $'000	Provision for Impairment $'000
Due 0-30 days	1,099	-	102	-
Past due 30-60 days	637	-	39	-
Past due 60-90 days	574	-	45	-
Past due 90 + days	1,222	(98)	141	(21)
	3,532	(98)	327	(21)

Loans receivable

The Group's exposure to credit risk is limited to the vendor finance book balance which was part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd during the prior year. The loan book consists of 10 individual loan contracts. The Group manages the units which are being held as security for the loans. Repayments are received monthly in accordance with the individual contracts or alternative agreed arrangements in place.

Where applicable, an allowance for impairment has been made, that represents the estimate of impairment losses in respect to the loans receivable. The Group has no concentrations of credit risk that have not been provided for.

	30 June 2016	
	Gross amount receivable $'000	Provision for Impairment $'000
Loans receivable		
Current	66	-
Non-current	539	(98)
	605	(98)

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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. There are no unused borrowing facilities at the reporting date.

The tables below shows the Group's financial liabilities classified into relevant maturity groupings based on their contractual maturities.

30 June 2016

	Contractual cash flows $'000	Less than 6 months $'000	Consolidated 6 - 12 months $'000	1 – 2 years $'000	More than 2 years $'000
Trade and other payables	3,688	3,688	-	-	-
Commercial bills	50,562	6,203	921	4,313	39,125
Other financial liabilities	55	25	12	16	2
Total	54,305	9,916	933	4,329	39,127

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FOR THE YEAR ENDED 30 JUNE 2016

30 June 2015

	Contractual cash flows $'000	Less than 6 months $'000	Consolidated 6 - 12 months $'000	1 – 2 years $'000	More than 2 years $'000
Trade and other payables	608	499	109	-	-
Commercial bills	23,324	706	654	1,193	20,771
Other financial liabilities	47	15	5	21	6
Total	23,979	1,220	768	1,214	20,777

c) Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group'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 Group's exposure to market interest rates arises from long term borrowings in the form of Commercial Bills. Borrowings issued at variable rates expose the Group to interest rate risk. $15,835,250 of the commercial bills are at variable rates while $26,900,000 is fixed (refer to note 17). The variable portion of the debt does not expose the group to any material interest rate risk.

The Group 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.

21. FAIR VALUE MEASUREMENTS

Fair value hierarchy
The Group's assets and liabilities are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

There were no transfers between levels during the financial year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Fair value of financial instruments (unrecognised)
The Group has a number of financial assets and financial liabilities (loans receivable, commercial bills, convertible notes, loans from key management personnel and shareholder loans) which are not measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature, and therefore have not been disclosed.

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	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated – 2016				
Assets				
Investment properties	-	-	86,472	86,472
Total assets	-	-	86,472	86,472
Liabilities				
Retirement Village Resident Loans	-	-	1,162	1,162
Total liabilities	-	-	1,162	1,162
Consolidated – 2015				
Assets				
Investment properties	-	-	39,689	39,689
Total assets	-	-	39,689	39,689
Liabilities				
Retirement Village Resident Loans	-	-	-	-
Total liabilities	-	-	-	-

Valuation techniques for fair value measurements categorised within level 2 and level 3
At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Investment properties have been valued using 2 methods, the capitalisation method and direct comparison approach. Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property into perpetuity and applying a capitalisation rate. The capitalisation rate is based on current market evidence. Future income projections take into account occupancy, rental income and operating expenses. Under the direct comparison approach, key inputs are the recent sales of comparable units in comparable villages. All resulting fair value estimates for properties are included in level 3.

The level 3 assets significant unobservable inputs and sensitivity are as follows:

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable input to fair value
Investment properties – Retirement Villages	Capitalisation method (1)	Capitalisation rate	5.67%-14.00% (10.90%)	Capitalisation has an inverse relationship to valuation.
		Stabilised occupancy	68%-98% (88%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
Investment properties – individual village units	Direct comparison approach	Comparable sales evidence	N/A	Comparable sales evidence has a direct relationship to valuation.

(1) Significant increases (decreases) in any of the significant unobservable valuation inputs under the capitalisation method would result in a significantly higher(lower) fair value measurement.

Fair value measurements using significant unobservable inputs (level 3)
Movements in level 3 asset items during the current and previous financial year are set out in note 12.

The Group has determined, as the transaction relating to Retirement Village Resident Loans was at arm's length and at 28 June 2016, that it represented fair value at 30 June 2016.

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Valuation processes
Independent valuations have been obtained for three Retirement Villages at 30 June 2016 and were used as the basis for determining their fair values. Selection criteria include market knowledge, experience and qualifications, reputation, independence and whether professional standards are maintained.

Where an independent valuation has not been performed on an investment property as at 30 June 2016, management has estimated the fair values by performing internal valuations based on valuations performed by an independent valuer commissioned by the Group when acquiring the properties. Management commissioned an independent expert as at 30 June 2016 to provide commentary on the market conditions, recent transactions and capitalisation rates for each of the villages owned by the Group. Based on the independent report, all capitalisation rates remained the same as at the time of acquisition. Increases in valuation were specifically based on increased earnings achieved by Eureka during its term of ownership.

22. COMMITMENTS

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 2016 $'000	30 June 2015 $'000
Within 1 year	164	259
Greater than 1 year but not longer than 5 years	491	829
Greater than 5 years	951	1,432
	1,606	2,520

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 had no capital commitments for property, plant and equipment as at 30 June 2016.

As at 30 June 2016, the Group had a contractual capital commitment for the acquisition of investment property totalling $75,000 less the deposit paid of $10,000. This commitment was not recognised as a liability as the relevant assets had not yet been received.

23. EARNINGS PER SHARE

	30 June 2016 $'000	30 June 2015 $'000
Net profit/(loss) used in calculating basic and diluted earnings per share	10,467	3,105
	Thousands	Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	201,505	138,769
Adjustments made to ordinary shares & potential ordinary shares as a result of convertible notes	-	-
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	201,505	138,769
Basic earnings per share	5.19 cents	2.24 cents
Diluted earnings per share	5.19 cents	2.24 cents

For the year ended 30 June 2016, there were no dilutive transactions to be included in the diluted earnings per share calculation.

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24. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Short term employee benefits	1,026	902
Post-employment benefits	18	20
Share-based payments	-	-
Other long term benefits	-	-
Termination benefits	-	-
Total	1,044	922

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

(b) Other transactions with key management personnel

(i) Loans from key management personnel

Shareholder loan: Kathlac Pty Ltd		
Balance at beginning of the year	-	100
Increase in loan amount	410	490
Loan repayments made	(411)	(596)
Interest charged	1	6
Balance at end of the year	-	-
Convertible Note: Kathlac Pty Ltd		
Balance at beginning of the year	-	51
Interest charged	-	1
Interest paid	-	(2)
Conversion of convertible notes to shares	-	(50)
Balance at end of the year	-	-
Convertible Note: Ignition Capital and Ignition Capital 2 Pty Ltd		
Balance at beginning of the year	-	410
Interest charged	-	13
Interest paid	-	(23)
Conversion of convertible notes to shares	-	(400)
Balance at beginning of the year	-	-

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(ii) Purchases from entities controlled by key management personnel:

The Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

	Consolidated	
	30 June 2016 $'000	**30 June 2015 $'000**
Consulting fees	398	-
Commission	10	23
Rent	91	101
Underwriting fees	-	-
Capital raising fees	347	159
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other payables)	272	6

(iii) Fees received from entities controlled by Key Management Personnel:

The Group received fees for the following services from entities that are controlled by members of the Group's Key Management Personnel:

Caretaking and management fees	16	57
Amounts outstanding at the end of the reporting period in relation to these transactions (included in Trade and other receivables)	25	25

(iv) Terms and conditions

All transactions were made on commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

25. ULTIMATE PARENT ENTITY

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

26. CONTINGENCIES

There are no contingent liabilities or contingent assets at 30 June 2016 that require disclosure in the financial report.

27. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

For the period ended 30 June 2016, the Group is organised into two operating segments, all located in Australia:

- Rental Villages – Ownership of senior's rental villages; and
- Property Management - Management of seniors independent living communities.

The results not included in the two operating segments identified are treated as:

- Unallocated – Represents the consulting fees charged, corporate services functions costs, inventory, cash balances and capital replacement funds.

The operating segments have been identified based on reports reviewed by the Board of Directors (who are identified as the chief operating decision makers) who are responsible for assessing performance and determining the allocation of resources. There is no aggregation of operating segments and the Board of Directors views each segments performance based on profit after tax. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

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Segment information is prepared in conformity with the accounting policies of the group as discussed in note 2 and Accounting Standard AASB 8.

No reporting or reviews are made of cash flows and as such this is not measured or reported by segment.

Consolidated - 30 June 2016	Rental Villages $'000	Property Management $'000	Unallocated $'000	Total $'000
Revenue	12,222	6,438	446	19,106
Interest revenue	-	-	314	314
Other revenue	4,041	450	244	4,735
Total Revenue	16,263	6,888	1,004	24,155
Expenses	6,088	3,426	2,441[1]	11,955
Interest expense	1,601	-	132	1,733
Total expenses	7,689	3,426	2,573	13,688
Profit before income tax expense	8,575	3,462	(1,570)	10,467
Income tax expense	-	-	-	-
Profit after income tax expense	8,575	3,462	(1,570)	10,467
Segment Assets	87,908	6,380	17,035[2]	111,323
Segment Liabilities	43,137	2,528	724	46,389

[1] Included within unallocated expenses is employee benefits expense of $1.37m and other administrative expenses of $1.07m.
[2] Included within unallocated assets is inventory of $6.27m, trade and other receivables of $2.83m, cash balances of $6.84m and capital replacement funds of $0.62m.

Non-cash and other significant items included in profit above:				
Gain on revaluation of investment property	4,041	-	-	4,041
Gain on sale of management rights	-	490	-	490
Depreciation & amortisation	(50)	(175)	(43)	(268)
Impairment of receivables	(39)	(7)	(52)	(98)
Segment acquisitions:				
Acquisition of property, plant and equipment	72	29	367	468
Acquisition of investment property	42,742	-	-	42,742
Acquisition of intangibles	-	800	3	803
Acquisition of inventory	-	-	6,300	6,300

Consolidated - 30 June 2015	Rental Villages $'000	Property Management $'000	Unallocated $'000	Total $'000
Revenue	4,490	6,361	-	10,851
Other revenue	920	441	-	1,361
Total Revenue	5,410	6,802	-	12,212
Expenses	1,944	4,655	1,650[1]	8,249
Interest expense	576	172	110	858
Total expenses	2,520	4,827	1,760	9,107

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Profit before income tax expense	2,890	1,975	(1,760)	3,105
Income tax expense	-	-	-	-
Profit after income tax expense	2,890	1,975	(1,760)	3,105
Segment Assets	40,543	5,863	5,428[2]	51,834
Segment Liabilities	16,888	2,757	334	19,979

[1] Included within unallocated expenses is employee benefits expense of $0.72m and other administrative expenses of $0.93m.
[2] Included within unallocated assets is cash of $5.15m.

Non-cash and other significant items included in profit above:				
Gain on revaluation of investment property	874	-	-	874
Forgiveness of debt	-	50	-	50
Gain on sale of management rights	-	299	-	299
Depreciation & amortisation	-	(150)	(16)	(166)
Impairment of receivables	-	(47)	-	(47)
Segment acquisitions:				
Acquisition of property, plant and equipment	148	68	23	239
Acquisition of investment property	31,836	-	-	31,836

28. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2016	**30 June 2015**
	$	**$**
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) Audit and other assurance services – Ernst and Young Audit and review of financial statements	79,000	-
(ii) Audit and other assurance services –BDO Audit Pty Ltd [1] *Audit and review of financial statements*	72,475	107,000
(iii) Other Services – BDO Audit Pty Ltd Accounting advice	-	5,000
	151,475	112,000

[1] Outgoing auditor

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

29. PARENT ENTITY DISCLOSURES

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Information relating to Eureka Group Holdings Limited (parent entity):		
Results of the parent entity		
Profit/(loss) for the period	810	(1,248)
Other comprehensive income	-	-
Total comprehensive income for the year	810	(1,248)
Financial position of parent entity at year-end		
Current assets	77,411	35,882
Non-current assets	5,618	7,989
Total assets	83,029	43,871
Current liabilities	2,837	593
Non-current liabilities	32,397	18,904
Total liabilities	35,234	19,497
Share capital	46,985	68,248
Accumulated losses	810	(43,874)
Total equity	47,795	24,374

Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of the commercial bills amounting to $31,045,250 and is secured by:

- Registered mortgages over managers' units and other real estate at its Communities;
- Guarantee and indemnity given by EGH and its controlled entities; and
- Fixed and floating charges over the assets of EGH and its controlled entities.

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please see above.

Contractual commitments for capital items

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016.

30. SUBSEQUENT EVENTS

The Group has completed the due diligence and gone unconditional on 17 August 2016 on the acquisition of 55-unit village in Orange, NSW known as Albert Street Gardens for $5.12m.

On 8 July 2016, the Company's Share Purchase Plan ('SPP') was finalised. Due to overwhelming support from shareholders the SPP was oversubscribed. The Board decided to increase the size of the SPP from $2.5m to $3.95m and allotted shares on 14 July 2016 at 75 cents per share.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2016

In accordance with a resolution of the directors of Eureka Group Holdings Limited, I state:

1. In the opinion of the Directors of Eureka Group Holdings Limited (the "company"):
   a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
   b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
   c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

Robin Levison
Executive Chairman

Dated in Brisbane this 25th day of August, 2016

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Building a better working world

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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 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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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 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the 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 the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Brad Tozer
Partner
Brisbane
25 August 2016

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Auditor's Independence Declaration to the Eureka Group Holdings Limited

As lead auditor for the audit of Eureka Group Holdings Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Brad Tozer
Partner
Brisbane
25 August 2016

Corporate Governance Statement

The Board has prepared a corporate governance statement that set outs the key corporate governance practices approved by the Board 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 other than where explicitly stated complies with ASX Corporate Governance Principles and Recommendations, 3rd Edition and is current as at **30 June 2016**.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in the statement Corporate Governance Statement, the Company's 2016 Annual Report and other relevance governance documents and materials on the Company's website, are provided in the corporate governance section of the Company's website at http://www.eurekagroupholdings.com.au/governance/. The Company's Corporate Governance Statement together with the ASX Appendix 4G and this Annual Report, were also lodged with the ASX on 25 August 2016.

Owing to the size of the Group and the transition necessary to grow and fund the business, the Board has five Directors of which three are non-executive Directors with one Director who is independent. The independent Director is chairman of the two board committees and the committees are made up of non-executive Directors. Whilst this composition does not fully comply with its charter and ASX recommendations, the Board believes the experience and skill set of the non-executive Directors ensures both independent judgement and oversight of management is exercised by a majority of the Board.

The Board has also established the following charters that are available on the Company's website:

- Board Charter
- Audit & Risk Committee Charter
- Nomination & Remuneration Committee Charter
- Share Trading Policy

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Corporate Directory

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

Board of Directors
Robin Levison (Executive Chairman)
Lachlan McIntosh
Nirmal Hansra
Greg Rekers
Kerry Potter

Company Secretary
Oliver Schweizer

Solicitors
Romans & Romans Lawyers
609 Logan Rd,
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Tel: 07 3847 3333
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Mills Oakley
Level 14
145 Ann Street
Brisbane QLD 4000
Tel: 07 3228 0400
Fax: 07 3012 8777

Auditors
Ernst & Young111 Eagle St
Brisbane Qld 4000
Tel: 07 3011-3333
Fax: 07 3011-3344

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

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Security Holder Information

Distribution of Securities as at 22 August 2016

Number of Securities	No of Shareholders
1 – 1,000	287
1,001 – 5,000	409
5,001 – 10,000	214
10,001 – 100,000	493
100,001 and over	180
Total Security Holders	**1,583**

Marketable Shares

There were 196 holders of less than a marketable parcel of 667 shares holding a total of 51,212 shares.

Voting Rights

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

Twenty Largest Ordinary Shareholders as at 22 August 2016	No of Ordinary Shares Held	% of Issued Share Capital
National Nominees Limited	30,441,929	13.18%
J P Morgan Nominees Australia Limited	26,663,680	11.54%
Robin Levison (through controlled entities)	12,590,808	5.54%
Citicorp Nominees Pty Limited	12,587,422	5.45%
BNP Paribas Noms Pty Ltd	12,529,589	5.42%
Lachaln McIntosh (through controlled entities)	11,916,166	5.16%
HSBC Custody Nominees (Australia) Limited	11,326,536	4.90%
Wavet Fund No 2 Pty Ltd	7,920,000	3.43%
Richard Mews (through controlled entities)	4,882,713	2.11%
Sandhurst Trustees Ltd <Tbf Small Cap Val Grwth A/C>	4,779,646	2.07%
Brazil Farming Pty Ltd	3,773,333	1.63%
Kerry Potter (through controlled entities)	2,906,442	1.26%
PPK Investment Holdings Pty Ltd	2,438,000	1.06%
Mr Alister Charles Wright	2,420,000	1.05%
Greg Rekers (through controlled entities)	2,140,608	0.93%
Armada Trading Pty Ltd	1,818,937	0.79%
HSBC Custody Nominees (Australia) Limited - A/C 3	1,750,099	0.76%
UBS Nominees Pty Ltd	1,743,323	0.75%
G & P Investments (NSW) Pty Limited	1,670,000	0.72%
Moat Investments Pty Ltd	1,612,217	0.70%
Total	157,911,448	68.35%

Securities in which Directors have a Relevant Interest at 22 August 2016	Ordinary Shares	Options
Robin Levison	12,590,808	-
Lachlan McIntosh	11,916,166	-
Nirmal Hansra	583,334	-
Greg Rekers	2,140,608	-
Kerry Potter	2,906,442	-
Total	30,137,358	-

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All photo's included in this AR are actual photo's of Eureka residents and villages.