

EUREKA GROUP HOLDINGS LIMITED
ABN 15 097 241 159

NOTICE OF GENERAL MEETING
AND
EXPLANATORY MEMORANDUM
AND
INDEPENDENT EXPERT'S REPORT

Date of Meeting: 23 March 2015
Time of Meeting: 10:30 am (Brisbane time)
Place of Meeting: Brisbane Club, Oak Room
Level 4, 241 Adelaide Street
Brisbane, QLD 4000

This Notice of General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

GLOSSARY

The following definitions are used in the Notice of General Meeting and the Explanatory Memorandum:

22 Capital means 22 Capital Pty Ltd ACN 131 684 252;

ASIC means the Australian Securities & Investments Commission;

ASX means ASX Limited ACN 008 624 691 or the securities exchange market operated by the ASX, as the context requires;

ASX Listing Rules means the official listing rules issued and enforced by the ASX, as amended from time to time;

Board or **Board of Directors** means the board of Directors of the Company;

Chairman means the chairman of the Company, who is currently Robin Levison;

Company means Eureka Group Holdings Limited 097 241 159;

Corporations Act means Corporations Act 2001 (Cth);

Directors means the directors of the Company;

EGH means Eureka Group Holdings Limited ACN 097 241 159;

Elizabeth Vale 1 means the village owned by the Company which is adjacent to Elizabeth Vale 2;

Elizabeth Vale 2 means the village owned by EVSV Pty Ltd;

Elizabeth Vale Trust means 22 Capital ATF the Elizabeth Vale Trust;

EVSV Pty Ltd means Elizabeth Vale Scenic Village Pty Ltd ACN 142 129 431;

Explanatory Memorandum means the explanatory memorandum set out in the body of this document;

General Meeting means the general meeting of the Company to be held on 23 March 2014 pursuant to the Notice of Annual General Meeting;

Kathlac means Kathlac Pty Ltd ACN 087 038 515 as trustee for the McIntosh Family Trust;

Notice of General Meeting or **Notice** means the notice of General Meeting set out in the body of this document;

Resolution means a resolution passed by the requisite majority of Shareholders of the Company on a show of hands or by the requisite majority of votes given on a poll;

Share means a fully paid ordinary share in the issued capital of the Company and **Shares** means any two or more of them;

Shareholder means a holder of a Share;

Transaction means the acquisition of the shares in Elizabeth Vale Scenic Village Pty Ltd; and

VWAP means the volume weighted average trading price of the Shares, excluding any:

- special crossings;
- off market trades; and
- trades which occur outside normal trading hours.

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**NOTICE OF GENERAL MEETING
EUREKA GROUP HOLDINGS LIMITED
ABN 15 097 241 159**

IMPORTANT DATES

Date of Meeting: 23 March 2015 at 10:30 am (Brisbane time)

Cut-off date for proxy forms: 21 March 2015 at 10:30am (Brisbane time)

The Independent Expert's report prepared by Hayes Knight Partners concludes that the proposals as outlined in Resolution 1 are considered to be fair and reasonable to the non-associated shareholders of EGH and are on terms that would be expected for a transaction of this nature and may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at "arm's length". Please refer to the Independent Expert's Report accompanying this Notice of Meeting.

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**NOTICE OF GENERAL MEETING
EUREKA GROUP HOLDINGS LIMITED
ABN 15 097 241 159**

Notice is given that the General Meeting of shareholders of **Eureka Group Holdings Limited ABN 15 097 241 159 (Company)** will be held at Brisbane Club, Oak Room, Level 4, 241 Adelaide Street, Brisbane, Queensland on 23 March 2015 at 10:30 am (Brisbane time).

AGENDA

BUSINESS

- Item 1 will be proposed as an Ordinary Resolution.
- Item 2 will be proposed as an Ordinary Resolution.
- Item 3 will be proposed as an Ordinary Resolution.

ITEM 1 – ISSUE OF FULLY-PAID ORDINARY SHARES TO KATHLAC PTY LTD

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

“That, in accordance with ASX Listing Rules 10.1 and 10.11, the Company be permitted and authorised to issue up to 530,135 fully-paid ordinary shares at a price of \$0.25 per share to Kathlac Pty Ltd on the terms set out in the Explanatory Memorandum accompanying and forming part of this Notice of General Meeting.”

ITEM 2 – ISSUE OF SHARES TO VENDORS AS PART OF ACQUISITION

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

“That approval is given for the purposes of ASX Listing Rule 7.1 and for all other purposes for the issue of 3,469,865 fully-paid ordinary shares in the Company at a price of 25.0 cents per share to unitholders of each of the Elizabeth Vale Trust and Eville Unit Trust on the terms and conditions set out in the Explanatory Memorandum accompanying and forming part of this Notice of General Meeting.”

**ITEM 3 – RATIFICATION OF ISSUE OF ORDINARY SHARES TO INSTITUTIONAL,
SOPHISTICATED AND PROFESSIONAL INVESTORS**

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

“That approval is given for the purposes of ASX Listing Rule 7.4 and for all other purposes for the prior issue and allotment of 20,000,000 fully-paid ordinary shares in the Company at a price of 25.0 cents per share to Institutional, Sophisticated and Professional Investors identified in the Explanatory Memorandum on the terms and conditions set out in the Explanatory Memorandum accompanying and forming part of this Notice of General Meeting.”

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GENERAL BUSINESS

To transact any business that may be properly brought before the meeting.

For further information, please refer to the Explanatory Memorandum which forms part of this Notice of Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read "O. Schweizer", with a horizontal line drawn through the end of the signature.

Oliver Schweizer
Secretary
10 February 2015

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HOW TO VOTE

Voting in person or by Attorney

Shareholders or their attorneys wishing to vote in person should attend the General Meeting.

Attorneys should bring with them the original copy or a certified copy of the power of attorney under which they have been authorised to attend and vote at the General Meeting, unless it has already been provided to the Company.

Appointing a proxy

A shareholder who is entitled to attend and vote at the meeting has the right to appoint a proxy to attend and vote at the Meeting on their behalf. There is a proxy form included with this notice. A proxy need not be a member of the Company. A proxy may be an individual or a body corporate.

A shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If proportions or number are not specified, each proxy can exercise half the available votes. If you require a second proxy form please contact the Share Registry on 1300 554 474 or from overseas +61 2 8280 7454.

For an appointment of a proxy to be effective, the proxy's appointment (and, if the appointment is signed by an attorney, the authority under which it was signed or a certified copy of the authority) must be received by the Company by 10:30 am (Brisbane time) on 21 March 2015.

A reply envelope is enclosed for the return of your proxy form. Alternatively, you can send in your proxy form to the Company by doing any of the following:

- Faxing it to + 61 2 9287 0309; or
- Delivering it to the Company's share registry (Link Market Services Limited) at Level 12, 680 George Street, Sydney, NSW, 2000; or
- Posting it to the Company's share registry (Link Market Services Limited) at Locked Bag A14, Sydney South NSW 1235, Australia.

Voting Exclusion Statements

- | | |
|--------|---|
| Item 1 | The Company will disregard any votes on this Resolution cast by 22 Capital, EVSV Pty Ltd, Kathlac Pty Ltd, Lachlan McIntosh, and any of their associates unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form. |
| Item 2 | The Company will disregard any votes on this Resolution cast by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons pursuant to ASX listing rule 14.11.1. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decided. |
| Item 3 | The Company will disregard any votes on this Resolution cast by CCZ Corporate Finance Pty Ltd, Morgans Stockbroking, Mr Cyril Jinks, Guy Jones Pty Ltd ATF The Guy Jones Family S/F, Mr Peter A. Barker, G & P Investments Pty Ltd, Ruminator Pty Ltd, Mr Richard Mews, Mr Richard Mews and Mrs Wee Khoon Mews ATF Mews Superannuation, Mrs Diane Potter ATF Potter Family Trust, Mrs Suzanne Edith Potter, Mr Chris Tucker, RA & PM Cummins, Mr Alister Wright and any associate of those persons. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the |

meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decided.

Corporate Shareholders

Corporate shareholders wishing to appoint a representative to attend the Meeting on their behalf must provide that person with a properly executed letter confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this Meeting only or for all meetings of the Company.

Eligibility to vote at the Meeting

The Company has determined, for the purposes of voting at the Meeting, that the Company's shares are taken to be held as those shareholders registered at 10:30 am (Brisbane time) on 21 March 2015.

Registration

If you are attending the Meeting, please bring your personalised proxy form with you. If you do not bring your form, you will still be able to attend the Meeting, but upon registration, representatives from the Company will need to verify your identity.

How undirected proxies held by the Chairman of the Meeting will be voted

The Chairman of the Company will chair the Meeting and will vote undirected proxies where a shareholder appoints the Chairman of the meeting as the shareholder's proxy in favour of all of the Resolutions. The Company encourages all shareholders who submit proxies to direct their proxy how to vote on each Resolution.

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**EXPLANATORY MEMORANDUM
EUREKA GROUP HOLDINGS LIMITED ABN 15 097 241 159**

This Explanatory Memorandum is provided to shareholders of **Eureka Group Holdings Limited ABN 15 097 241 159** (the **Company**) to explain the Resolutions to be put to shareholders at the General Meeting to be held at Brisbane Club, Oak Room, Level 4, 241 Adelaide Street, Queensland on 23 March 2015 at 10:30 am (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

This Explanatory Memorandum does not take into account the investment objectives, financial position and particular needs of any particular person. Before making any decision on the basis of this document you should consider, after consulting with an investment adviser and any other professional advisor which is appropriate, whether that decision is appropriate in light of the information contained in this document.

ITEM 1 – ISSUE OF FULLY-PAID ORDINARY SHARES TO KATHLAC

The Independent Expert's report prepared by Hayes Knight Partners concludes that the proposals as outlined in Resolution 1 are considered to be fair and reasonable to the non-associated shareholders of EGH and are on terms that would be expected for a transaction of this nature and may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at "arm's length". Please refer to the Independent Expert's Report accompanying this Notice of Meeting.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rules 10.1 and 10.11 for the issue of up to 530,135 fully-paid ordinary shares in the Company to Kathlac Pty Ltd ("Kathlac").

On 5 November 2014 the Company agreed to acquire 100 percent of the share capital in EVSV Pty Ltd (the "Transaction"). The shares in EVSV Pty Ltd are held by 22 Capital Pty Ltd ("22 Capital") ATF the Elizabeth Vale Trust and Eville Pty Ltd ("Eville") ATF the Eville Unit Trust. Kathlac Pty Ltd ("Kathlac") is a minority unit holder in the Elizabeth Vale Trust. The Company understands that it is 22 Capital and Eville's intention to direct the issue of shares and payment of cash is made direct to their respective unitholders of the Elizabeth Vale Trust and Eville Unit Trust.

Relevant to this Resolution, 22 Capital intends to direct the Company to issue shares in the Company and make payment of approximately \$344,058 directly to Kathlac. Such shares and cash being equivalent to Kathlac' proportionate entitlement to the consideration payable to 22 Capital for the Transaction as a result of Kathlac's minority unit holding in the Elizabeth Vale Trust.

An independent expert report has been prepared to outline the Transaction and specifically the share and cash payments contemplated to be made by the Company to Kathlac through the Elizabeth Vale Trust.

EVSV Pty Ltd owns 45 residential units plus the managers residence in the seniors' retirement village known as Elizabeth Vale 2 and a loan book (EVSV Pty Ltd's assets and liabilities are further detailed in the attached Independent Experts' report).

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The total consideration for the Transaction is \$4,386,000* and set out in the table below:

Consideration	\$,000	Source of funds	\$,000	Note
Cash	1,596	EGH cash	1,196	(1)
		Additional borrowings	400	(1)
Shares in EGH	1,000	Issue of shares in EGH	1,000	(2)
Retention amount	150	Deferred contingent cash consideration	150	(3)
Assumption of debt	1,640	Debt	1,640	(4)
Total consideration	4,386	Total sources of funds	4,386	

*That consideration, all to be paid to the holders of A Class Preference shares in EVSV, is to be reduced by a fully franked dividend of at least \$466,690 that those A Class Preference shareholders are to receive up to the settlement date.

(1) Cash consideration of \$1,596k will be paid through existing EGH cash and additional borrowings of \$400k. Of the cash, a minimum of \$466,690 will be paid through a dividend to be declared prior to completion and paid to vendors of EVSV Pty Ltd at completion. The cash consideration will be paid by EGH directly to unitholders in Elizabeth Vale Unit Trust and E Ville Unit Trust.

(2) The issue of \$1,000k EGH shares will be at a price of \$0.25 being an 11% premium to the 30-day VWAP prior to announcement of the acquisition. These shares will be issued by EGH directly to unitholders in the Elizabeth Vale Unit Trust and Eville Unit Trust as identified in resolution 2 of this meeting.

(3) The retention amount of \$150k is protection for EGH against any breaches to contracted warranties and indemnities by the vendor. The retention amount is to be released at the 12 month anniversary of completion in the event that no breach of warranty or indemnity has occurred.

(4) EVSV Pty Ltd has \$1,640k in debt outstanding to the Commonwealth Bank of Australia. EGH has a facility with National Australia Bank ("NAB") and intends to refinance the outstanding debt with the NAB post completion

The total consideration payable to Elizabeth Vale Trust is 57.50% of the various components of consideration detailed in the table above. The remaining 42.5% of the various components of consideration detailed in the table above is payable to the Eville Unit Trust.

ASX Listing Rule 10.10A.3

Pursuant to ASX Listing Rule 10.10A.3, the Independent Expert's Report prepared by Hayes Knight Partners is available on Eureka's website, <http://www.eurekagroupholdings.com.au>. Should any holder of ordinary securities request a hard copy of the Independent Expert's Report, the Company will provide this at no cost to the holder.

ASX Listing Rule 10.11:

ASX Listing Rule 10.11 states that the Company must not issue or agree to issue equity securities to a related party without the approval of holders of ordinary securities.

The definition of "related party" in the ASX Listing Rules refers to the definition in section 228 of the Corporations Act which relevantly states that Directors of a public company and their spouses are related parties of the public company. In addition, any entity that is controlled by a related party of the public company is also a related party of the public company.

Control is defined in section 50AA of the Corporations Act. An entity "controls" another entity where the first mentioned entity has the capacity to determine the outcome of decisions about the other entity's financial and operating policies. In determining whether the first entity has such capacity, the practical influence the first entity can exert and any practice or pattern of behaviour over the outcome of decisions affecting the other party are looked at.

The definition of "related party" is applied to each of the relevant entities below:

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1. Lachlan McIntosh: Lachlan McIntosh is a Director of the Company and so is a related party of the Company.
 2. Lachlan McIntosh's wife: As the spouse of Lachlan McIntosh, she is a related party of the Company.
 3. Kathlac: Kathlac is a related party of the Company because it is controlled by a related party of the Company. Kathlac is controlled by Lachlan McIntosh (sole director) and also by Lachlan McIntosh's wife (sole shareholder).
 4. EVSV Pty Ltd: It is assumed that EVSV Pty Ltd is a related party of the Company by virtue of Lachlan McIntosh being a director of EVSV Pty Ltd. It is assumed that Lachlan McIntosh accordingly controls EVSV Pty Ltd.
 5. 22 Capital: Kathlac is only a minority shareholder in 22 Capital and so arguably does not exercise the requisite degree of control over 22 Capital. Lachlan McIntosh is a director of 22 Capital. While he is one of 4 directors, there is a perceived risk that the practical influence that he exerts over the decision making of the board of 22 Capital is such that he may be characterised as exercising control over 22 Capital. Although this is less than certain, the Directors have for the purposes of the General Meeting, determined that 22 Capital is to be treated as a related party of the Company because it is arguably controlled by a related party of the Company (ie Lachlan McIntosh).

The issue of shares to Kathlac requires shareholder approval under Listing Rule 10.11. Kathlac is the only related party of the Company which shares are to be issued to.

The following information is provided regarding ASX Listing Rule 10.11 approval:

➤ **ASX Listing Rule 10.13.1: *The name of the person***

Kathlac Pty Ltd.

➤ **ASX Listing Rule 10.13.2: *The maximum number of securities to be issued***

530,135 fully paid ordinary shares in the Company. This is equivalent to the proportionate interest of Kathlac as a unitholder in the Elizabeth Vale Trust in shares in the Company to be issued under the Transaction.

➤ **ASX Listing Rule 10.13.3: *The date by which the entity will issue the securities***

If Shareholder approval is obtained, the issue and allotment of the fully-paid ordinary shares will occur no later than 5 days after the date of this Annual General Meeting..

➤ **ASX Listing Rule 10.13.4: *Nature of relationship***

Kathlac and the Company are related parties as Lachlan McIntosh is a Director of the Company and Kathlac is controlled by Lachlan McIntosh's spouse who is the sole Shareholder of Kathlac.

➤ **ASX Listing Rule 10.13.5: *The issue price of the securities and a statement of the terms of the issue***

Each fully-paid ordinary share has an issue price of \$0.25 and will rank equally with all existing ordinary shares in the Company.

The proposed share price of \$0.25 is equal to an 11% premium to the 30-day Volume Weighted Average Price ("VWAP") at the time the terms of the acquisition were negotiated.

- **ASX Listing Rule 10.13.6:** *A Voting exclusion statement*

A voting exclusion statement is included in the Notice of Meeting.

- **ASX Listing Rule 10.13.6A:** *The intended use of the funds raised*

The funds raised are part of the payment for the acquisition of the shares in EVSV Pty Ltd sold to the Company by 22 Capital as trustee for the Elizabeth Vale Trust and Eville as trustee for the Eville Unit Trust.

- **ASX Listing Rule 7.2, Exception 14:** *Approval not required under ASX Listing Rule 7.1*

As approval for the issue of 530,135 of ordinary shares in the Company to Kathlac referred to in Item 1 is being sought under Listing Rule 10.11, if shareholder approval is obtained, approval under Listing Rule 7.1 is not required.

Chapter 2E of the Corporations Act:

Shareholder approval is not being sought under Chapter 2E of the Corporations Act as the Board has determined that the exception to the requirement to obtain shareholder approval in Section 210 applies.

Relevant to the present circumstances, Section 208 of Chapter 2E of the Corporations Act specifies that unless an exception applies, a public company must not give a financial benefit to a related party of the public company without first obtaining shareholder approval.

As with Listing Rule 10.11, "related party" for the purposes of section 208 is defined in section 228 of the Corporations Act. For the reasons discussed above, 22 Capital, Lachlan McIntosh and Kathlac are related parties of the Company.

22 Capital will receive a financial benefit and as a unitholder of the Elizabeth Vale Trust, Kathlac will receive a financial benefit, being the payment of cash and issue of shares in the Company.

Section 210 of the Corporations Act exempts the Company from having to obtain shareholder approval to a related party transaction where the terms on which the Company and the related party are transacting could reasonably be considered to be arm's length or such terms are less favourable to the related party than arm's length terms.

The Board has determined that the Transaction is on arm's length terms for the following reasons:

- The Company is entering into the Transaction to acquire 22 Capital's shareholding in EVSV Pty Ltd on substantially the same terms as those under which it is acquiring Eville Pty Ltd's shareholding in EVSV Pty Ltd. Eville Pty Ltd is an independent third party that has negotiated and elected to enter into the Transaction independently of 22 Capital;
- The conclusion of Hayes Knight Partners in the Independent Expert's Report accompanying the Notice of Meeting which confirms that the Transaction is considered to be fair and reasonable to the non-associated shareholders of EGH and are on terms that would be expected for a transaction of this nature and may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at "arm's length".

From an economic and commercial point of view, the Directors consider that there are no material costs or detriments, including opportunity costs or taxation consequences for the Company or benefits forgone by the Company resulting from the entry into the Transaction or

payment of any of the consideration payable under the Transaction, including the issue of 530,135 fully-paid ordinary shares and payment of \$344,058 in cash to Kathlac. The Transaction is beneficial to Eureka as it is made on attractive terms to Eureka and as Eureka already owns Elizabeth Vale 1, the acquisition of Elizabeth Vale 2 creates a large super village which offers cost savings due to increased size and synergies.

Impact and dilution of shares:

The proposed share price of \$0.25 is equal to an 11% premium to the 30-day Volume Weighted Average Price ("VWAP") at the time the terms of the Transaction were announced in early November 2014.

Based on 156,766,594 shares currently on issue, if shareholders approve the issue of these 4,000,000 shares, there will be a potential dilution of approximately 2.49%.

Lachlan McIntosh, through his associated entities Kathlac Pty Ltd and 22 Capital Pty Ltd currently has a relevant interest in 12,082,697 shares in the Company. As outlined in the table below, should Item 1 pass, associated entities of Lachlan McIntosh will hold approximately 7.85% of the fully-paid ordinary shares of EGH.

The table below demonstrates Lachlan McIntosh's current interest in the Company and his post issue interest in the Company.

	Number of Shares Held by 22 Capital	Number of Shares Held by Kathlac	Number of Shares / potential Shares Issued	Net number of Shares Issued to 22 Capital	Number of Shares / potential shares issued to Kathlac	Total Number of Shares / potential Shares Outstanding	22 Capital & Kathlac % Ownership
EGH fully-paid ordinary shares prior to EGM	5,216,028	6,866,669		-	-	156,766,594	7.71%
Item 1 (Share issue) Issue of ordinary shares to an entity associated with Lachlan McIntosh	5,216,028	6,866,669	4,000,000	-	530,135	160,766,594	7.85%

* 22 Capital is directing all shares to be issued direct to unitholders of the Elizabeth Vale Trust.

ITEM 2 – ISSUE OF SHARES TO VENDORS AS PART OF ACQUISITION

Shareholder approval is being sought in Item 2 to approve the issue of 3,469,865 fully paid ordinary shares (which rank pari passu with all other issued EGH fully paid ordinary shares) at 25.0 cents per share as part of the Company's acquisition of the units in the Elizabeth Vale Trust and the Eville Unit Trust ("Trusts").

At 5 November 2014, when the issue was announced to the market, the previous 30 day VWAP for which EGH shares were traded was 22.55 cents. The issue price represents an 11% premium on the 30 day VWAP.

The Trusts are the owners of the share capital in 45-units and a manager's residence in a seniors' rental village in Elizabeth Vale, South Australia. If shareholder approval is not obtained for this Item 2 but shareholder approval is given for Item 3, then EGH will issue the shares under its 15% cap.

Together with Item 1, this Item 2 forms part of the same capital raise for the Transaction to complete the acquisition of the units in the Trusts as previously announced to the market. The 530,135 shares being issued in Item 1 to Kathlac Pty Ltd along with the 3,469,865 shares being issued in this Item 2, make up the 4,000,000 shares being issued in the Transaction.

The shares will be issued as directed by 22 Capital and Eville to the unit holders of the Trusts.

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ASX Listing Rule 7.1 restricts the Company to issuing a maximum of 15% of its issued capital in any 12 month period unless it obtains shareholder approval for the issue.

The Company now seeks its shareholder approval to the issue of the Shares contemplated above in order to reinstate its 15% cap, by seeking shareholders' approval to this Item 2.

The Directors consider that the reinstatement of the 15% cap will give them greater flexibility in possible future capital raisings, as may be necessary to meet the working capital or other requirements of the business to fund possible future acquisitions.

Shareholder approval of this Resolution, together with Resolutions 1 and 3 will result in full reinstatement of the Company's 15% cap.

Listing Rule 7.3 requires certain information to accompany a Notice of General Meeting in relation to approval sought under Listing Rule 7.1. This information is set out below:

Listing Rule 7.3 requirement	Information
Maximum number of securities to be issued:	Up to 3,469,865 fully paid ordinary shares in the Company will be issued.
Date by which the securities will be issued:	The Shares will be issued no later than three (3) months after the date of the General Meeting (or such other date as is permitted by an ASX waiver of the Listing Rules, the Corporations Act and/or the ASIC).
The issue price of the securities:	The Shares will be issued at \$0.25 per Share.
Names of the prospective allottees (this list is indicative only and may be subject to changes):	<ul style="list-style-type: none"> • Quality Dispensers Super Fund Pty Ltd; • Stadurn Pty Ltd ATF The Property Trust; • Olcar Pty Ltd ATF Olcar Family Trust; • Wavet Fund No.2 Pty Ltd ATF Wavet Holdings Superannuation Fund No.2; • Jimgusted Pty Ltd ATF Jimgusted Trust; • Bronzecity Pty Ltd; • Pagin Holdings Pty Ltd ATF Whanau Family Trust; • Boonah Investments Pty Ltd ATF Boonah Pension Fund; • Prosect Pty Ltd ATF The Graham Mailender Super Fund; • Yog Pty Ltd; • Prosect Pty Ltd; • Bondfern Pty Ltd ATF The Nicholas Family Trust; • QFM Nominees Pty Ltd ATF The Connole Unit Trust; • Mrs Jennifer Alison Bauer; and • Justaye Pty Ltd ATF The Justaye Super Fund.
Terms of the securities:	The Shares to be issued pursuant to Item 2 shall be fully paid ordinary shares ranking equally with the Company's existing listed ordinary shares. The Company will apply to ASX for quotation of the new Shares on the ASX.
The intended use of funds raised:	The Shares to be issued pursuant to Item 2 are part of the consideration payable by the Company under the Transaction.
The issue date:	The issue of Shares contemplated in Item 2 will occur progressively.
Voting exclusion statement:	A voting exclusion statement is contained in the Notice of General Meeting.

ITEM 3 – RATIFICATION OF ISSUE OF ORDINARY SHARES TO INSTITUTIONAL, SOPHISTICATED AND PROFESSIONAL INVESTORS

On 10 December 2014, the Company issued 20,000,000 fully paid ordinary shares (which rank pari passu with all other issued EGH fully paid ordinary shares).

The placement raised \$5,000,000, which funds have been used to accelerate the acquisition process for both freehold seniors' villages and selected management rights. Eureka is currently in negotiation to acquire multiple assets.

Under ASX Listing Rule 7.4, a company may obtain a subsequent approval to an issue of securities (provided that the issue did not breach ASX Listing Rule 7.1), which has the effect of treating that issue as having been approved under ASX Listing Rule 7.1. In other words, issues of securities subsequently approved in this way reinstate (either fully or partly) a company's capacity to issue up to 15% of its share capital over a rolling 12 month period.

The Company now seeks its shareholder approval to the issues of shares previously made in accordance with Listing Rule 7.1 and identified above in order to refresh its 15% cap.

The Directors consider that the reinstatement of the 15% cap will give them greater flexibility in possible future capital raisings, as may be necessary to meet the working capital or other requirements of the business to fund possible future acquisitions.

Shareholder approval of this Resolution, together with Resolutions [1 and 2] will result in full reinstatement of the Company's 15% cap.

Listing Rule 7.5 requires certain information to accompany a Notice of General Meeting in relation to approval sought under Listing Rule 7.4. This information is set out below:

Listing Rule 7.5 requirement	Information
Number of securities issued:	20,000,000 Shares
The issue price of the securities:	All Shares were issued at \$0.25 per Share.
Names of the allottees :	<ul style="list-style-type: none"> • CCZ Corporate Finance Pty Ltd; • Morgans Stockbroking; • Mr Cyril Jinks; • Guy Jones Pty Ltd ATF The Guy Jones Family S/F; • Mr Peter A. Barker; • G & P Investments Pty Ltd; • Ruminator Pty Ltd; • Mr Richard Mews; • Mr Richard Mews and Mrs Wee Khoon Mews ATF Mews Superannuation; • Mrs Diane Potter AFT Potter Family Trust; • Mrs Suzanne Edith Potter; • Mr Chris Tucker; • RA & PM Cummins; and • Mr Alister Wright
Terms of the securities:	The Shares issued and described in this Item 3 are fully paid ordinary shares ranking equally with the Company's existing listed ordinary shares. The shares were admitted to quotation on the ASX.
The intended use of funds raised:	Funds raised from the Shares issued and described in this Item 3 are being used to accelerate the acquisition process for both freehold seniors' villages and selected management rights. Eureka has entered into contracts to acquire multiple assets.
Voting exclusion statement:	A voting exclusion statement is contained in the Notice of General Meeting.



ABN 15 097 241 159

LODGE YOUR VOTE



ONLINE >

www.linkmarketservices.com.au



By mail: Eureka Group Holdings Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia



By fax: 02 9287 0309



All enquiries to: Telephone: 1300 554 474

PROXY FORM

I/We being a member(s) of Eureka Group Holdings Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

Empty box for proxy name

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at 10:30am on Monday, 23 March 2015 at the Brisbane Club, Oak Room, Level 4, 241 Adelaide Street, Brisbane QLD 4000 (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an X

STEP 2

VOTING DIRECTIONS

Resolution 1

Issue of Fully-Paid Ordinary Shares to Kathlac Pty Ltd

For Against Abstain*

Three empty boxes for voting directions

Resolution 2

Issue of Shares to Vendors as Part of Acquisition

Three empty boxes for voting directions

Resolution 3

Ratification of Issue of Ordinary Shares to Institutional, Sophisticated And Professional Investors

Three empty boxes for voting directions

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Signature box for Shareholder 1

Signature box for Joint Shareholder 2

Signature box for Joint Shareholder 3

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

EGH PRX501A



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Saturday, 21 March 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:

Eureka Group Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

02 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.

For personal use only

Eureka Group Holdings Limited

Independent Expert's Report

28 January 2015

In our opinion the proposals as outlined in Resolution 1 are fair and reasonable to the non associated shareholders of EGH and are on terms that would be expected for a transaction of this nature and may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at “arm’s length”.

This opinion should be read in conjunction with the full text of this report, which sets out the detailed scope and findings.

Financial Services Guide

Anthony W Thomas (“AWT”) is a Partner in Hayes Knight Partners Chartered Accountants and carries on business at Level 23, 10 Eagle Street, Brisbane, Qld, 4000. AWT holds Australian Financial Services Licence No 268504 authorising him to provide financial product advice on securities to retail clients.

The Corporations Act requires AWT to provide this Financial Services Guide (FSG) in connection with the provision of an independent expert’s report (Report), which is included in a document (Disclosure Document) provided to members by the company or other entity (Entity) for which the Report is prepared.

AWT does not accept instructions from retail clients. AWT does not provide any personal retail financial product advice to retail investors nor does he provide market-related advice to retail investors.

When providing Reports, AWT’s client is the Entity to which the Report is provided. AWT receives remuneration from the Entity. In respect of the Report for Eureka Group Holdings Limited (EGH), AWT will receive a fee of \$14,000 (exclusive of GST) for the preparation of the Report (as stated in Appendix 1 of the Report). No related body corporate of AWT, or any of the fellow directors or employees of AWT or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

AWT is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities and Investments Commission. The following information in relation to independence is stated in Appendix 1 of the Report:

“Anthony W Thomas, Hayes Knight Partners and its associates have not previously had any shareholding or other relationships with EGH that would reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the proposed transaction. No role has been played in the formulation of the proposed transaction other than in the preparation of this report. Independence has been achieved in terms of Regulatory Guide 112 issued by ASIC.”

As the holder of an Australian Financial Services Licence, AWT has a complaints handling procedure and is a member of the Financial Ombudsman Service Limited, No 11898.

Contact details are set out below:

Hayes Knight
Complaints Office
GPO Box 1189
BRISBANE QLD 4001

Financial Ombudsman Service
GPO Box 3
MELBOURNE VIC 3001
infor@fos.org.au
www.fos.org.au
Tel: 1300 780 808

Hayes Knight Partners has professional indemnity insurance cover for the financial services provided by it. The insurance satisfies the compensation requirements of the Corporations Act 2001.

AWT is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to him or Hayes Knight Partners. AWT will not respond in any way that might involve any provision of financial product advice to any retail investor.

28 January 2015

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www.hayesknight.com.au

Strictly Private & Confidential

The Directors
Eureka Group Holdings Limited
PO Box 4231
ROBINA TOWN CENTRE QLD 4230

Dear Sirs

INDEPENDENT EXPERT'S REPORT FOR EUREKA GROUP HOLDINGS LIMITED

1. Introduction

We have been requested by the directors of Eureka Group Holdings Limited ("EGH") to prepare an Independent Expert's Report on the transactions referred to in Resolution 1 as detailed in the Notice of Meeting to EGH shareholders (the Notice) to be issued to shareholders in January 2015.

We are not reporting on the merits or otherwise of other resolutions referred to in the Notice.

2. Summary of Opinion

In our opinion the proposals as outlined in Resolution 1 are fair and reasonable to the non associated shareholders of EGH and are on terms that would be expected for a transaction of this nature and may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at "arm's length".

This opinion should be read in conjunction with the full text of this report, which sets out the detailed scope and findings.

Yours faithfully

A W Thomas
Partner

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TABLE OF CONTENTS

1. THE PROPOSED TRANSACTION

- 1.1. Introduction

2. SCOPE OF THE REPORT

- 2.1. Purpose of the Report
- 2.2. Basis of Evaluation
- 2.3. Reliance on Technical Expert - Property
- 2.4. Other Matters

3. EGH PROFILE

- 3.1. History of Eureka Group Holdings Ltd
- 3.2. Capital Structure and Shareholders
- 3.3. Share Price History
- 3.4. Financial Performance
- 3.5. Financial Position

4. EVALUATION

- 4.1. Introduction
- 4.2. Valuation Methodologies for EGH Shares
- 4.3. Summary and Opinion on Value of Consideration
- 4.4. Value of Shares in EVPL
- 4.5. Summary and Opinion on Value of Proposed Acquisition
- 4.6. Summary and Conclusion on Fairness
- 4.7. Reasonableness of Proposed Transaction

5. OPINION

Appendices

- 1. Qualifications, Declarations and Consents
- 2. Sources of Information
- 3. Technical Expert's Report - Property

1 THE PROPOSED TRANSACTION

1.1 Introduction

In the latter part of 2014 Eureka Group Holdings Limited (“EGH”) announced to the ASX it had signed a Heads of Agreement (“HOA”) to acquire the shares in Elizabeth Vale Scenic Village Pty Ltd (“EVPL”) which owns 45 freehold units and a first mortgage loan book secured against 12 other units in the village.

Details of the transaction are that the Vendor will sell one hundred percent (100%) of the issued capital of EVPL to EGH for \$4,386,000 (that consideration, all to be paid to the holders of A Class Preference shares in EVPL, is to be reduced by a fully franked dividend of at least \$466,690 that those A Class Preference shareholders are to receive up to “the settlement date”).

The total purchase price will be paid via a combination of cash, shares and vendor finance, the details of which, prior to the reduction for the fully-franked dividend, are:

(a) Cash	\$1,196,000
(b) Cash from further borrowings against the village to be arranged by EGH	\$400,000
(c) Assumption of debt	\$1,640,000
(d) Shares in EGH (to be issued at 25c)	\$1,000,000
(e) Warranty amount of \$150,000 to be held back for 12 months	\$150,000
Total	<u>\$4,386,000</u>

2 SCOPE OF THE REPORT

2.1 Purpose of the Report

Resolution 1 in the Notice of Meeting seeks Shareholder approval pursuant to ASX listing Rule 10.11 for the issue of up to 530,135 fully-paid ordinary shares in EGH (“the Company”) to Kathlac Pty Ltd (“Kathlac”).

The shares in EVPL are held by 22 Capital Pty Ltd (“22 Capital”) ATF the Elizabeth Vale Trust and Eville Pty Ltd (“Eville”) ATF the Eville Unit Trust. Kathlac is a minority unit holder in the Elizabeth Vale Trust.

Section 228 of the Corporations Act states that Directors of a public company and their spouses are defined as a “related party” to the public company, an entity controlled by a related party is a related party of the public company. Therefore, as Lachlan McIntosh is a Director of the Company, EVPL, 22 Capital and Kathlac and Lachlan McIntosh’s spouse is a shareholder of Kathlac, Kathlac is considered to be a related party to the Company.

ASX Listing Rule 10.1 regulates transactions between EGH and people in a position of influence in relation to EGH. EGH proposes to acquire an asset (in this case shares) from a group of vendors one of whom is a shareholder and director of EGH. This fact triggers this application of ASX Listing Rule 10.1.3.

As required under ASX Listing Rule 10.1 the proposed transaction is subject to prior-shareholders’ approval. Listing Rule 10.1 states that the notice convening the shareholders meeting required under Listing Rule 10.1 must include a report on the transaction from an independent expert.

The independent expert’s report must state whether in the expert’s opinion, the transaction is fair and reasonable to the EGH Shareholders not associated with the proposed transaction.

Relevant to the Proposed Acquisition, Section 208 of Chapter 2E of the Corporations Act specifies that unless an exception applies, a public company must not give a financial benefit to a related party of the public company without first obtaining shareholder approval.

Section 210 of the Corporations Act exempts the Company from having to obtain shareholder approval to a related party transaction where the terms on which the Company and the related party are transacting could reasonably be considered to be arm's length or such terms are less favourable to the related party than arm's length terms.

Accordingly EGH have requested the preparation of this report to be included in the Notice of Meeting to approve the Proposed Acquisition which will be sent to EGH's shareholders not associated with the Proposed Acquisition (non-associated shareholders) and has been prepared for the exclusive purpose of assisting those shareholders in their consideration of the Proposed Acquisition.

2.2 Basis of Evaluation

As discussed earlier, the purpose of this report is to set out our opinion as to whether the proposed transaction is fair and reasonable to the non-associated shareholders of EGH. The ASX Listing Rules and Corporations Act 2001 do not provide any specific guidance as to the matters to be dealt with in an independent expert's report required under ASX Listing Rule 10.10.

However, the Australian Securities and Investments Commission (ASIC) have issued guidance in respect of the matters to be dealt with in similar reports required under section 611 of the Corporations Act 2001. Specifically, this guidance is provided in ASIC Regulatory Guide 74.

In our opinion, this guidance is relevant to independent expert's reports required under ASX Listing Rule 10.10. Accordingly we have referred to the guidance provided by ASIC as to what constitutes "fair and reasonable" for the purposes of evaluating the proposed transaction.

ASIC Regulatory Guide 74 requires, inter alia, that the expert consider all the circumstances surrounding the proposed transaction in determining whether it is fair and reasonable. It notes that comparison of the consideration offered with the value of the assets to be acquired or disposed is only one element of the assessment and further requires the expert to compare the advantages and disadvantages to non-associated shareholders should they approve or reject the proposed transaction.

Accordingly, while assessing the value impact of the proposed transaction on the non-associated shareholders is an important element of this analysis it is not, of itself, the only determinant of our final opinion.

In order to assess whether the proposed acquisition is fair and reasonable we have:

- Assessed whether the Proposed Acquisition is fair and reasonable by comparing the consideration being offered by EGH with the fair market value of the shares being acquired. The transaction is fair if the value of the shares being acquired is equal to or greater than the consideration offered by EGH.
- Assessed the reasonableness of the Proposed Acquisition by considering other advantages and disadvantages of the Proposed Acquisition to non-associated shareholders.

2.3 Reliance on Technical Expert - Property

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist in its due diligence over Elizabeth Vale Scenic Village Pty Ltd Knight Frank SA Pty Ltd ("Knight Frank") was engaged by EGH to prepare an independent technical report providing a valuation of Elizabeth Vale Scenic Village Pty Ltd freehold units. We have written to and received approval (dated 15 December 2014) from Knight Frank to the matter that we would be relying on their valuation and referring to it in our expert's report.

We have read the Knight Frank report fully and considered the analysis contained therein. We have also satisfied ourselves as to Knight Frank's qualifications and independence from EGH and its associated parties and have placed reliance on this report.

The valuation methodologies adopted by Knight Frank are outlined in its report. Due to the various uncertainties inherent in the valuation process, Knight Frank has determined a range of values within which it considers the value of each of the freehold units. The valuations ascribed by Knight Frank to the freehold units have been adopted in our Report.

Given the rather voluminous nature of the Knight Frank report we have chosen to attach only the Executive Summary of their report to this report as Appendix 3.

2.4 Other Matters

In forming our opinion, we have considered the interest of Non-associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications of the Proposed Acquisition on individual shareholders as their financial circumstances are not known.

Our opinion is based solely on information available as at the date of this Report as set out in Appendix 2 of this Report. We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Appendix 1 of this Report.

Neither the whole nor any part of this Report or its attachments or any reference thereto may be included in or attached to any documents, other than the Notice of Meeting to be sent to Non-associated Shareholders in relation to the Proposed Acquisition, without the prior consent of Hayes Knight Partners as to the form and context in which it appears.

3.1 History of Eureka Group Holdings Limited

SCV Group Limited formerly known as SunnyCove Management Limited (“SunnyCove”) listed on the Australian Stock Exchange in June 2004. SunnyCove was in the business of developing and subsequently managing rental accommodation for seniors. From 2005 until 2008, SunnyCove purchased management rights from entities associated with ING, the management rights business of Village Life and the shares in Village Care significantly increasing the number of units under management. SunnyCove changed its name to SCV Group Limited (“SCV”) in December 2006 and to Eureka Group Holdings Limited (“EGH”) in October 2010. From FY 2008 onwards, EGH ceased the property development segment of its business to focus solely on the advisory and management of rental accommodation.

In the past 18 months EGH has continued its concentration implementing a long-term growth strategy designed to capitalise on the strong underlying fundamentals of the Australian seniors’ accommodation sector. During this time EGH has acquired:

- The freehold land and buildings of Cascade Gardens Mackay, a 93 unit Seniors Rental Village;
- The freehold land and buildings of Cascade Gardens Smithfield (Cairns), a 53 unit Seniors Rental Village;
- 100% interest in the Easy Living Unit Trust which owns the Wayford House Seniors Rental Village in South Australia;
- 100% interest in the Easy Living (Bundaberg) Unit Trust, which owns the Avenell on Vasey Seniors Rental Village in Bundaberg.

and announced the unconditional acquisitions of:

- The freehold land and buildings of the of the 57 unit Seniors Rental Village known as Myall in Whyalla South Australia;
- The management rights and managers unit in the 60 unit Seniors Rental Village known as Tivoli Gardens; and
- The managers unit in the 51 unit Seniors Rental Village known as Christie Downs, a village that EGH already manages.

Upon completion of the Proposed Acquisition and above noted announced acquisitions, EGH will own 367 units. This complements its property management side of 27 villages nationally with 1,535 units managed at December 2014 (including announced acquisitions).

3.2 Capital Structure and Shareholders

Securities on issue as at 30 June 2014 can be summarised as follows:

Table 1

	Number of Securities
Fully paid Ordinary Shares	<u>98,349,930</u>
- 225,000 convertible notes convertible at \$0.10 cents per note	22,500
- 650,000 convertible notes convertible at \$0.06 cents per note	39,000
- Nil options	

Table 2

Issue of Shares Post 30 June 2014

Description	# of shares issued	Issue price	Capital value of issue	Share capital \$	Total shares on issue
30 June 2014				46,035,355	98,349,930
Issue 6 August 2014 - sophisticated placement	1,000,000	0.10	100,000	46,135,355	99,349,930
Issue 21 August 2014 - CN conversion	1,250,000	0.10	125,000	46,260,355	100,599,930
Issue 17 September 2014 - CN conversion	2,666,666	0.06	160,000	46,420,355	103,266,596
Issue 6 October 2014 - sophisticated placement	7,999,999	0.15	1,200,000	47,620,355	111,266,595
Issue 8 October 2014 - sophisticated placement	1,333,334	0.15	200,000	47,820,355	112,599,929
Issue 8 October 2014 - CN conversion	500,000	0.06	30,000	47,850,355	113,099,929
Issue 31 October 2014 - secured CN conversion	7,666,666	0.06	460,000	48,310,355	120,766,595
Issue 31 October 2014 - unsecured CN conversion	1,000,000	0.10	100,000	48,410,355	121,766,595
Issue 20 November 2014 - Tranche 1 of ELUT/ELBUT	5,666,667	0.15	850,000	49,260,355	127,433,262
Issue 24 November 2014 - Tranche 2 of ELUT/ELBUT	9,333,332	0.15	1,400,000	50,660,355	136,766,594
Issue 10 December 2014 - \$5m capital raise	20,000,000	0.25	5,000,000	55,660,355	156,766,594
Capital raising costs - estimated			-225,000	55,435,355	156,766,594
15 December 2014				55,435,355	156,766,594

Table 3

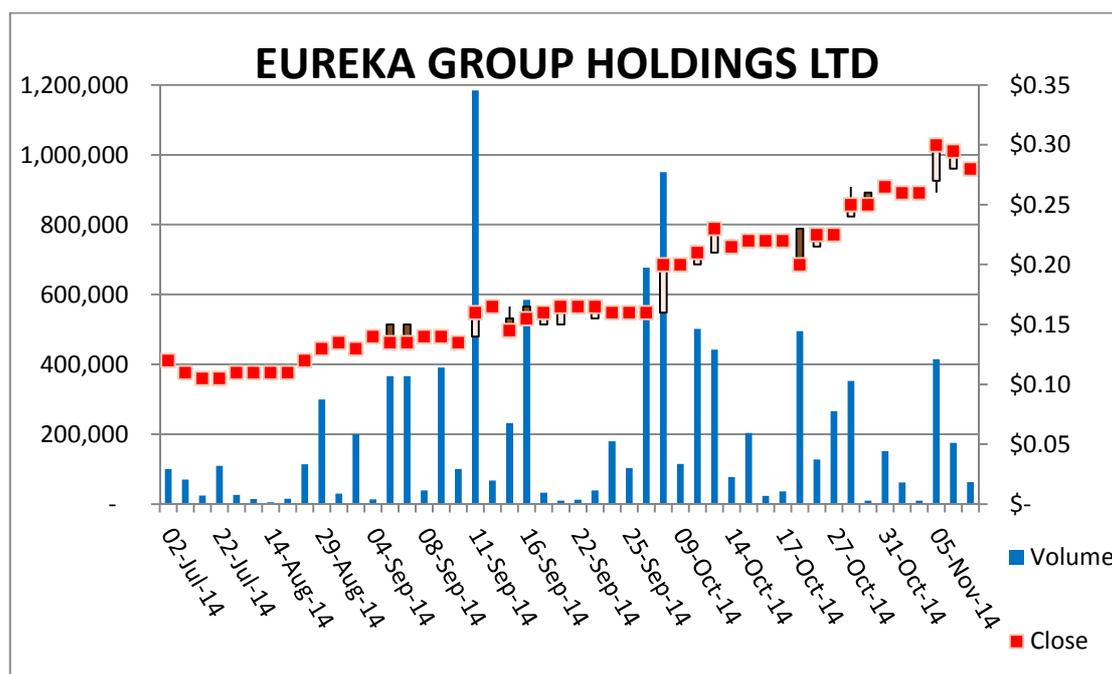
Top 20 Shareholders at 15 December 2014

Rank	Name	15 Dec 2014	%IC
1	SANDHURST TRUSTEES LTD	11,118,388	7.09%
2	IGNITION CAPITAL PTY LTD	9,715,029	6.20%
3	PPK INVESTMENT HOLDINGS PTY LTD	9,140,883	5.83%
4	WAVET FUND NO 2 PTY LTD	8,586,129	5.48%
8	CO-INVESTOR CAPITAL PARTNERS PTY LTD	7,095,809	4.53%
5	KATHLAC PTY LIMITED	6,866,669	4.38%
6	NATIONAL NOMINEES LIMITED	5,758,227	3.67%
7	22 CAPITAL PTY LTD	5,216,028	3.33%
9	NAVIGATOR PROPERTY GROUP P/L	5,057,879	3.23%
12	NORFOLK ENCHANTS PTY LTD	4,651,238	2.97%
10	CITICORP NOMINEES PTY LIMITED	3,814,000	2.43%
11	MOAT INVESTMENTS PTY LTD	3,150,000	2.01%
13	DEALCITY PTY LIMITED	2,904,770	1.85%
14	CUSTODIAN NOMINEE COMPANY LIMITED	2,696,868	1.72%
19	MR RICHARD MEWS & MRS WEE KHOON MEWS	2,607,067	1.66%
15	ALISTER WRIGHT	2,560,000	1.63%
16	JELLYFISH GLOBAL INVESTMENTS PTY LTD	2,500,000	1.59%
17	IGNITION CAPITAL NO 2 PTY LTD	2,439,769	1.56%
18	QFM NOMINEES PTY LTD	2,332,174	1.49%
20	CONTEMPLATOR PTY LTD	2,015,989	1.29%

3.3 Share Price History

Table 4

A sample of the share price trading history over the past six months is as follows:



3.4 Financial Performance

The audited income statements for the 12 months ended 30 June 2014 and 30 June 2013 are presented in the table below.

Table 5

	2014 \$	2013 \$
Total Revenue	10,661,686	10,878,440
Expenses		
Food, beverage & consumables	(6,638,568)	(7,359,976)
Impairment – Management Rights	(37,564)	(34,266)
Impairment – Assets held for sale	-	(37,080)
Employee benefits expenses	(766,510)	(954,659)
Finance costs	(569,041)	(490,638)
Community operating expenses	(70,729)	(20,904)
Marketing expenses	(8,070)	(4,154)
Consulting expenses	(412,886)	(468,018)
Depreciation & Amortisation expenses	(281,910)	(299,681)
Lease expenses	(513,360)	(626,902)
Other expenses	(701,776)	(507,185)
Profit before income tax expense	661,272	74,932
Income tax expense	-	-
Profit after tax	661,272	74,932
Other comprehensive income	-	-
Total Comprehensive Income for the period	661,272	74,932

3.5 Financial Position

EGH's audited Balance Sheets as at 30 June 2014 and 30 June 2013 are presented in the table below.

Table 6

	2014	2013
	\$	\$
Current Assets		
Cash and Cash Equivalents	1,285,115	465,676
Trade and Other Receivables	368,215	530,587
Inventories	10,000	41,543
Assets Held for Sale	1,047,304	1,492,725
Other	228,513	92,100
Total current assets	2,939,147	2,622,631
Non-Current Assets		
Available for sale financial asset	235,124	-
Other financial assets	294,570	-
Property, plant and equipment	7,428,350	1,290,686
Intangible Assets	4,808,370	5,467,707
Total non-current assets	12,766,414	6,758,393
Total Assets	15,705,561	9,381,024
Current Liabilities		
Trade and other payables	719,761	610,420
Other financial liabilities	1,251,183	1,761,643
Provisions	37,810	42,444
Total current liabilities	2,008,754	2,414,507
Non-Current Liabilities		
Other financial liabilities	7,159,000	2,949,000
Total non-current liabilities	7,159,000	2,949,000
Total Liabilities	9,167,754	5,363,507
Net Assets	6,537,807	4,017,517
Equity		
Share Capital	46,035,355	44,176,337
Accumulated losses	(39,497,548)	(40,158,820)
Total Equity	6,537,807	4,017,517

4.1 Introduction

The proposals pursuant to Resolution 1 would be fair to the existing non-associated shareholders if the value of the shares being acquired is equal to or greater than the value of the consideration offered by EGH.

As set out in section 1.1 above the consideration being offered by EGH is made up of several components one of which is 4,000,000 shares in EGH issued at 25 cents per share. Accordingly we need to assess the value of an EGH share.

4.2 Valuation Methodologies for EGH Shares

The valuation methodologies we have considered in determining the current technical value of a EGH share are:

- Capitalised maintainable earnings/discounted cash flow,
- Takeover bid – the price which an alternative acquirer might be willing to offer,
- Adjusted net asset backing and windup value, and
- The market value price of EGH shares.

4.2.1 Capitalised Maintainable Earnings/DCF's

Prior to 2014 EGH did not have a strong profit history. The 2014 results showed some considerable improvement and based on initiatives since then management expect an improving trend. However at this point application of this methodology is most likely premature.

4.2.2 Takeover Bid

To our knowledge, there are no current bids in the market place and the Directors of EGH have advised that they are not aware of any takeover interest at present.

4.2.3 Net Asset Backing and Wind-Up Value

As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. The audited balance sheet as at 30 June 2014 is presented in Section 3.5 above. This shows net assets of \$6,537,807 or approximately 6.7 cents per share.

Since 30 June 2014 there have been several share issues and related acquisitions made. This has resulted in a considerable strengthening of the balance sheet of EGH.

Further we note:

- The company holds several management rights. Australian Accounting Standards do not allow those to be shown at market value mandating reporting at historical cost less related amortisation.
- EGH has unused carry forward tax losses of \$34.639 million for which no deferred tax asset has been recognised in the balance sheet at 30 June 2014. If these losses were to be ultimately realised the potential tax benefit would be \$10.392 million.

4.2.4 Market Price of EGH shares

We note it is not the present intention of the Directors of EGH to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in EGH based on the market perceptions of what the market considers a EGH share to be worth.

In the case of EGH the volume of trades in the recent past on the ASX is enough to argue that an orderly market exists for the Company's shares. The market arguably is fully informed of the Company's activities notwithstanding that some 64 per cent of the Company's shares are under the control of the top twenty shareholders (refer Table 3 earlier). We are of the opinion that it is appropriate to use a range of market values over the past six months as one of the indicators of what an EGH share is worth.

Section 3.3 above sets out a selection of share prices of EGH over the past 6 months. Over that period the share price has seen a high of 30 cents down to a low of 11 cents per share. The low point was in July and August 2014 and there has been a firming in the share price since.

We also note the 2 larger share placements to institutional and professional investors firstly at 15 cents a share and more recently at 25 cents a share.

Given the company's announcements to the ASX, acquisitions completed, recent share prices and the success of the latest share issue at 25 cents per share we have concluded it is appropriate to use 25 cents as the implied value of an EGH share for the purpose of this report. We note that 25 cents per share is at a 10 per cent plus premium to the volume weighted average price for the 30 day period prior to when the transaction was announced.

4.3 Summary and Opinion on Value of Consideration

Adopting a value of 25 cents per EGH share confirms the overall quantum of the consideration being offered is \$4,386,000.

4.4 Value of Share in EVPL

We have been provided with an unaudited pro-forma balance sheet for EVPL at completion date. This is shown below:

	\$
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	92,986
Trade and other receivables	777,436
Other current assets	<u>8,037</u>
TOTAL CURRENT ASSETS	<u>878,459</u>
NON-CURRENT ASSETS	
Property, plant and equipment	<u>3,311,358</u>
TOTAL NON-CURRENT ASSETS	<u>3,311,358</u>
TOTAL ASSETS	<u>4,189,817</u>
LIABILITIES	
CURRENT LIABILITIES	
Trade and Other Payables	9,157
Tax liabilities	-
Other current liabilities (Note 1)	<u>466,690</u>
TOTAL CURRENT LIABILITIES	<u>475,847</u>
NON-CURRENT LIABILITIES	
Trade and Other Payables	<u>1,640,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>1,640,000</u>
TOTAL LIABILITIES	<u>2,115,847</u>
NET ASSETS	<u>2,073,970</u>
EQUITY	
Issued capital	1,900,099
Retained earnings	650,561
Dividend	(466,690)
Reserve	<u>(10,000)</u>
TOTAL EQUITY	<u>2,073,970</u>

Note 1. This liability is for a declared dividend of \$466,690. As this is to be adjusted as part of the purchase consideration (refer to Section 1.1 above) we can ignore it in this analysis.

- 4.4.1 By far the largest asset shown is freehold residential units. As noted earlier in Section 2.3 Knight Frank have conducted a valuation of the residential units in the complex.

In their valuation Knight Frank were instructed to:

1. Provide a market value of a typical individually Titled 'Single' Unit and an individually Titled 'Couples' Unit assuming that they were offered to the market in an orderly fashion; and
2. Provide a valuation of the subject units being 45 individually Community Strata titled residential units and a manager's unit and office if they were to be sold "in one line"

Their valuation is summarised as follows:

	Single	Couple	Manager's	Total
Number	39	6	1	46
Low Value	120,000	135,000	260,000	
High Value	130,000	145,000	280,000	
Average Value	125,000	140,000	270,000	
Total Low Value	4,680,000	810,000	260,000	5,750,000
Total High Value	5,070,000	870,000	280,000	6,220,000
Total Avg. Value	4,875,000	840,000	270,000	5,985,000
Per Unit Value:	<u>Single Value</u>	<u>In-one-line</u>	<u>DISCOUNT</u>	
Low range	125,000	82,452	42,548	-34.0%
High range	135,217	87,033	48,184	-35.6%
Avg. range	130,109	84,743	45,366	-34.9%
Total Value:	<u>Aggregate</u>	<u>In-one-line</u>	<u>DISCOUNT</u>	
Low range	5,750,000	3,790,000	1,960,000	-34.1%
High range	6,220,000	4,000,000	2,220,000	-35.7%
Avg. range	5,985,000	3,895,000	2,090,000	-34.9%

From this we can adopt the 'in one line' valuation range of \$3.8 to \$4.0 million.

- 4.4.2 Also on the completion pro – forma balance sheet is approximately \$780,000 for loans receivable.

We have perused one of the standard loan agreements used for these vendor loans. We also advised of the following:

- There is a low arrears rate.
- The loans are secured over residential property.
- The loans are at rates of interest that are arguably commercial in today's terms.

Consequently we feel it reasonable to adopt book value for these loans receivable.

4.4.3 The residual net tangible assets on the completion balance sheet is approximately \$80,000. As this is largely cash less some creditors we have adopted book value.

4.5 Summary and Opinion on Value of Proposed Acquisition

Based on the analysis above we derive a range of value for EVPL of \$4.66 million to \$4.86 million.

4.6 Summary and Conclusion on Fairness

Set out in the table below is a comparison of our assessment of the fair market value of the shares in EVPL with the consideration being offered by EGH.

	Section	Low	High
Estimated Value of EVPL	4.5	4,660,000	4,860,000
Total Consideration offered by EGH	4.3	4,386,000	4,386,000

The consideration offered by EGH for the shares in EVPL is below the range of our estimate of the fair market value of the shares in EVPL. Accordingly it is our opinion that the Proposed Acquisition of the shares in EVPL is fair.

4.7 Reasonableness of the Proposed Transaction

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Acquisition is reasonable. The likely advantages and disadvantages for EGH shareholders if the Proposed Acquisition proceeds are discussed below:

Advantages

- The company is already managing the property to be acquired. Consequently integration risks normally associated with this type of purchase are mitigated.
- Based upon the unaudited profit and loss information presented to us, the acquisition of EVPL would appear to be earnings accretive to EGH.
- The Proposed Acquisition sits well with the EGH future strategic plans in the aged care / low cost accommodation sector. EGH already owns Elizabeth Vale 1 and purchase of Elizabeth Vale 2 creates a larger village with related economies of scale.

Disadvantages

- A number of shares will be issued by EGH if the Proposed Acquisition proceeds. This will dilute in a relatively small way the ownership proportions and voting rights of existing EGH shareholders.
- The company assumes some debt as part of the proposed acquisition. However, given the company's current balance sheet position the overall increase in risk is manageable.

On balance, in our opinion, the advantages of the Proposed Acquisition outweigh the disadvantages.

5 OPINION

In our opinion, the Proposed Acquisition is fair and reasonable to Non-associated Shareholders. An individual's decision in relation to the Proposed Acquisition may be influenced by his or her particular circumstances. If in doubt the individual should consult an independent adviser, who should have regard to their individual circumstances.

Further to our conclusion above we note that the terms of the fully paid ordinary EGH Shares to be issued to Kathlac are on the same terms that apply to the issue of fully paid EGH shares to the other shareholders at EVPL.

As the consideration being offered by EGH for the purchase of shares in EVPL from 22 Capital Pty Ltd as trustee for the Elizabeth Vale Trust and, Eville Pty Ltd as trustee for the Eville Unit Trust, is generally consistent with the range of derived values for EVPL shares (see section 4.6 above), we are of the view that the Proposed Transaction may reasonably be considered to be at a price that would be negotiated in circumstances where the parties were acting at "arm's length".

APPENDIX 1: QUALIFICATIONS, DECLARATIONS AND CONSENTS

The report has been prepared at the request of the Independent Directors of EGH and is to be included in the Notice of Meeting to be given to Non-associated shareholders for approval of the Proposed Acquisition in accordance with the ASX Listing Rules. It represents solely the expression by Hayes Knight Partners of its opinion as to whether the Proposed Acquisition is fair and reasonable to Non-Associated Shareholders. Accordingly, it has been prepared only for the benefit of Non-Associated Shareholders in their assessment of the Proposed Acquisition and should not be used for any other purpose. Neither Hayes Knight Partners, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including for any errors or omission however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Acquisition.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

The opinion contained herein is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

The Partner of Hayes Knight Partners solely responsible for the preparation of this report is Anthony W Thomas (“AWT”) B.Com, MFM, FCA, FCPA. He has many years’ experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. He is the holder of a Financial Services Licence under the Corporations Act.

The report represents solely the expression by AWT of his opinion as to whether the Proposed Transaction is fair and reasonable. Statements and opinions contained in this report are given in good faith but, in the preparation of this report, AWT has relied upon the information provided by the Directors and Executives of EGH, which he believes, on reasonable grounds, to be reliable, complete and not misleading. AWT and Hayes Knight Partners do not imply, nor should it be construed, that it has carried out any form of audit verification on the information and records supplied to us. We are not lawyers, quantity surveyors, property valuers or engineers and therefore we do not warrant on anything that calls on expertise of such professionals.

Drafts of this report were issued to EGH and management for confirmation of factual accuracy. Furthermore, recognising that AWT may rely on information provided by EGH and its officers and/or associates, EGH has agreed to make no claim by it or its officers and/or associates against AWT to recover any loss or damage which EGH or its associates may suffer as a result of that reliance and also has agreed to indemnify against any claim arising out of the assignments to give this report, except where the claim has arisen as a result of any proven wilful misconduct or negligence by AWT.

AWT, Hayes Knight Partners and its associates have not previously had any shareholding or other relationship with EGH that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion on the Proposed Transaction. No role has been played in the formulation of the Proposed Transaction other than in the preparation of this report. Independence has been achieved in terms of Regulatory Guide 112 issued by ASIC.

The fee estimate is \$14,000 (exclusive of GST) for preparation of this report. It is not contingent on the outcome of the Proposed Transaction.

AWT, and Hayes Knight Partners consent to the inclusion of this report in the form and context in which it is included in Notice of Meeting to be issued to the shareholders of EGH.

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APPENDIX 2: SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- The financial statements of EGH for the periods ended 30 June 2014 and 30 June 2013.
- Draft Notice of Meeting and Explanatory Statement to be issued to EGH shareholders.
- Market update announcements to ASX.
- Notice of General Meeting and Explanatory Memorandum for meeting February 2015.
- Property valuation report issued by Knight Frank on 24 November 2014.
- Share Sale Agreement between 22 Capital Pty Ltd as Trustee for the Elizabeth Vale Trust and Eville Pty Ltd as Trustee for the Eville Trust (“the Vendors”) and Eureka Group Holdings Ltd (“the Purchaser”).
- Financial Report for the year ended 30 June 2014 for Elizabeth Vale Scenic Village Pty Ltd (EVPL).
- Unaudited monthly Balance Sheet and detailed Profit and Loss for EVPL up to and including November 2014; Also pro-forma completion balance sheet at 31 January 2015.
- Loan book transactions, statements and contracts.
- Discussions with company representatives.
- Other publicly available information about EGH including the announcements made about the Proposed Transaction.



Valuation Report

Eureka Care Communities

**Various Units, 19 Wayford
Street ELIZABETH VALE SA
5112**

November 2014

Under Instructions from:

SCV Manager Pty. Ltd.



Reference No: 130486

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EUREKA CARE COMMUNITIES, VARIOUS UNITS, 19 WAYFORD STREET, ELIZABETH VALE SA 5112

Instructing Party:	Mr Kerry Potter SCV Manager Pty. Ltd. PO Box 4251 Robina Town Centre QUEENSLAND 4230	
Purpose:	Pre-purchase advice purposes and future marketing	
Zoning:	"Residential" Zone	
Interest Valued:	<ul style="list-style-type: none"> • Market Value of a typical 'Single' Unit and 'Couples' Unit assuming orderly disposal. • Market Value of 45 individually Titled residential units plus Managers Unit (Lot 119 & 120) "In One Line" <p>This valuation is determined on the basis that the property the Title thereto and its use are not affected by any matter other than that mentioned in this report.</p>	
Development Description:	<p>The subject property forms part of a Community Strata Group operating as Eureka Care Seniors Lifestyle Village, situated approximately 22 kilometres north of the Adelaide GPO within the suburb of Elizabeth Vale.</p> <p>The village is relatively modern having been constructed circa 2003, comprises 58 individually Titled residential units, along with a community centre (common property) which incorporates an individually titled manager's office and managers unit. The village is set amongst well landscaped grounds and also comprises common car parking.</p> <p>More specifically, the subject property comprises 45 of the individually Titled residential units along with the individually titled manager's office and manager's units.</p> <p>The units are managed by Eureka Care and, aside from those vacant units, the residential units are each rented to seniors (over 55's) periodically.</p> <p>We note, the units can be purchased by a senior for owner occupation, however we note at the time of valuation that none of the units within the subject village were owner occupied.</p>	
Resident Tenure:	Periodic Rental	

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Valuation Details	
Valuation Methodology:	Direct Comparison Approach and Capitalisation of Sustainable Net Income Approach.
Date of Inspection:	24 th November 2014
Valuation Date:	24 th November 2014
Adopted Value	
Market Value Range "In One Line"	\$3,790,000 - \$4,000,000 (GST Exclusive)
Average Value Range per Unit "In one Line"	\$82,452 - \$87,033 (GST Exclusive)
'Single' Unit Value Range (assuming orderly disposal)	\$120,000 - \$130,000 (No GST Payable)
'Couples' Unit Value Range (assuming orderly disposal)	\$135,000 - \$145,000 (No GST Payable)
Valuer's Details	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  SAMUEL TUCKER B.Bus.Prop (Val) AAPI Certified Practising Valuer </div> <div style="text-align: center;">  ZAC VARTULI Associate Director </div> </div>

This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report

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