Eureka Group Holdings Limited

ABN: 15 097 241 159

Current period	1 July 2023 - 31 December 2023
Previous corresponding period	1 July 2022 - 31 December 2022

Results for announcement to the market

Summary financial information	Period ended 31 December 2023 A$000	Period ended 31 December 2022 A$000	Change %
Revenue from ordinary activities	20,272	17,455	+16.1%
Underlying EBITDA [1]	7,056	5,929	+19.0%
Profit before tax	9,088	10,499	-13.4%
Profit from ordinary activities after tax and net profit for the period attributable to members	6,299	7,750	-18.7%

Dividends	Amount per security Cents	Franked amount
Interim dividend (FY24) Final dividend (FY23)	0.70 0.67	Nil Nil
FY24 interim dividend dates Ex-dividend date Record date DRP Election date Payment date	 4 April 2024 5 April 2024 10 April 2024 29 April 2024	
The dividend reinvestment plan (DRP) dated 26 February 2021 will be in operation for the interim dividend. To participate in the DRP, an online election or election form must be received by the share registry no later than the DRP Election Date noted above. The DRP rules can be downloaded at https://www.eurekagroupholdings.com.au/investors/corporate-governance/.		

Additional financial information	Period ended 31 December 2023	Period ended 31 December 2022	Change %
Earnings per ordinary share (EPS)	2.09 cents	3.11 cents	-32.8%
Diluted earnings per share	2.09 cents	3.10 cents	-32.6%

An explanation of the above figures is contained within ‘Review of operations and results’ section of the Directors’ Report, which forms part of the attached Half-Year Financial Report.

[1] Refer to definitions on page 2

Net tangible assets per security	31 December 2023 Cents	31 December 2022 Cents
Net tangible assets backing per ordinary security	46.3	41.5

Details of entities over which control has been gained or lost

Control was not gained or lost over any entities during the period.

Details of associates or joint venture entities		
Names of joint venture entities	Affordable Living Services Unit Trust Affordable Living Unit Trust	
Percentage of holding in joint venture entities	50%	
Names of associates	Eureka Villages WA Fund	
Percentage of holding in associates	32.8%	
	Period ended 31 December 2023 $A'000	**Period ended 31 December 2022 $A'000**
Aggregate share of profits from associates and joint venture entites	1,677	948
Contribution to net profit from associates and joint venture entities	1,677	948

Foreign entities accounting

N/A

Status of audit

The attached Half-Year Financial Report for the period ended 31 December 2023 has been reviewed by the auditor and the Independent Review Report is included in the Half-Year Financial Report. No disputes or qualifications are noted.

Attachments forming part of Appendix 4D

Half-Year Financial Report for the period ended 31 December 2023

Definitions

1 EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure. The Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA is calculated from amounts disclosed in the financial statements.

2 Underlying EBITDA is an unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments, asset disposals and certain non-core or non-recurring transactions.

Murray Boyte
Executive Chair

Dated in Brisbane this 29th day of February 2024

Half-Year Financial Report

31 December 2023

Eureka Group Holdings Limited
ABN: 15 097 241 159

CONTENTS	PAGE

Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the Company) and its controlled entities (the Group, Eureka or the Consolidated Entity) for the half-year ended 31 December 2023 (the period).

DIRECTORS

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

Murray Boyte
Sue Renkin
Russell Banham
Greg Paramor AO

PRINCIPAL ACTIVITIES

The principal activities of the Group include the provision of:

- Accommodation and services to independent senior residents; and
- Specialist property management and caretaking services for seniors' independent living communities.

REVIEW OF OPERATIONS AND RESULTS

The Group has reported a profit before tax for the period of $9.09 million (2022: $10.50 million) and a profit after tax of $6.30 million (2022: $7.75 million). Underlying EBITDA[1] increased by 19% to $7.06 million (2022: $5.93 million) while underlying profit before tax[1] increased by 16% to $4.33 million (2022: $3.75 million) which includes increased finance costs of $2.32 million (2022: $1.76 million).

Growth in the Group's underlying and statutory results are underpinned by organic growth in existing villages, acquisitions completed in the prior period and improved maintainable earnings.

Occupancy remained stable across the portfolio and was 98% at balance date (30 June 2023: 99%). Strategies to increase village revenue, while maintaining affordability for residents, have contributed to the organic revenue growth experienced during the period. Improvement in maintainable earnings and the near-completion of the Brassall development have resulted in a $5.62 million net gain on change in the fair value of the Group's investment properties including those of the Tasmanian assets which are owned in a joint venture (2022: $7.52 million).

Revenue and profit growth is also attributable to the acquisition of the villages in Eagleby, Qld, Tamworth, NSW and Horsham, Vic during the prior period. Current period acquisitions comprised individual units in two managed strata-titled villages in Qld and land purchased for development in Gladstone, Qld.

The Group invested in the Eureka Villages WA Fund (the Fund) established during the period which acquired a portfolio of six rental villages in Western Australia (WA) for $44.00 million (excluding transaction costs) in December 2023. Eureka is the manager of the Fund and has invested $9.00 million in the Fund at balance date.

At balance date, Eureka owned 33 villages (30 June 2023: 33), of which 5 are owned in a joint venture. It also has 19 villages under management including the 6 in the Fund in WA (30 June 2023: 13). Total units at balance date were 2,882 (30 June 2023: 2,551 units). The weighted average capitalisation rate at balance date was 8.25% (30 June 2023: 8.32%).

The Group is committed to growth through asset acquisition and development opportunities. During the period, the Group progressed its technology improvement and brand refresh projects.

[1] The terms EBITDA, Underlying EBITDA and Underlying profit before tax are defined on page 4.

Directors' Report

The Group's statutory tax rate is 25% (2022: 25%). Deferred tax balances have been stated at 30% (30 June 2023: 30%), resulting in an effective tax rate of 31% for the period (2022: 26%). No cash tax will be payable until the Group has utilised its carry forward revenue tax losses.

Net operating cash flow for the period was $3.77 million (2022: $3.75 million). Interest payments were $0.981 million higher during the period.

A summary of the Group's performance and reconciliation to the Group's Underlying EBITDA[1] is shown below:

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Performance Summary		
Profit before income tax expense	9,088	10,499
Profit after income tax expense	6,299	7,750
Basic earnings per share (cents)	2.09	3.11
Diluted earnings per share (cents)	2.09	3.10
Underlying EBITDA [1] reconciliation		
Profit after income tax expense	6,299	7,750
Income tax expense	2,789	2,749
Depreciation and amortisation	402	422
Finance costs	2,323	1,760
EBITDA [1]	11,813	12,681
Net gain on change in fair value of:		
- Investment properties	(4,515)	(7,065)
- Investment properties held in equity accounted investments	(1,100)	(458)
Profit on sale of assets	(2)	(15)
Transaction costs including acquisitions, disposals and asset realisations	113	85
Strategic projects including technology, brand and capital funding	642	335
Other	105	366
Underlying EBITDA [1]	7,056	5,929
Underlying profit before tax [2]	4,331	3,746

1. EBITDA (Earnings before interest, tax, depreciation, and amortisation) is an unaudited non-IFRS measure. The Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA is calculated from amounts disclosed in the financial statements.

   Underlying EBITDA is an unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments, asset disposals and certain non-core or non-recurring transactions.

2. Underlying profit before tax is an unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation.

Financial position

Summary information in relation to the Group's financial position is shown below:

		Consolidated	
		31 Dec 2023	30 June 2023
Total assets	$'000	267,207	237,412
Net assets	$'000	148,081	143,956
Cash and cash equivalents	$'000	3,230	1,815
Debt – bank loan	$'000	92,009	69,724
Shares on issue	'000	301,748	301,063
Net tangible assets per share	cents	46.3	45.0
Balance sheet gearing [1]	%	37.5	32.1

1. Balance sheet gearing is calculated as net debt (being interest-bearing drawn debt net of cash) divided by net debt plus equity.

Directors' Report

Significant balance sheet movements during the period are disclosed below.

Acquisitions and asset management

During the period, the Group made the following investment property acquisitions:

- 14 additional units in its managed strata-titled villages in Qld for consideration of $1.49 million; and
- Vacant land in Gladstone, Qld for $1.00 million plus GST. This site has been acquired for the purpose of greenfield development and adjoins the existing Gladstone village which is managed by Eureka.

The Group spent $7.81 million on village developments including $7.19 million for the 51-unit Brassall, Qld expansion and $0.62 million planning for the proposed 124-unit Kingaroy greenfield development.

Construction commenced in February 2023 on a 51-unit development at Brassall, Qld. The development has been completed across four stages. During the period, 40 units were completed from August to December. The remaining 11 units have been completed since balance date. All new units have been fully leased since their completion. In addition to developing the new units, Eureka is also investing in the upgrade of the common area facilities which will be fully complete by April 2024.

A further $1.80 million was spent on enhancing owned villages through capital improvements.

During the period, Eureka invested in a new Eureka-managed wholesale property fund, Eureka Villages WA Fund (the Fund), which is an unlisted and unregistered fund. The Fund was established for the purpose of owning and operating a portfolio of six seniors' rental villages in Western Australia. These villages were acquired in December 2023 for a purchase price of $44.00 million excluding transaction costs with an average occupancy exceeding 99%. At balance date, the Group's investment represents 32.76% of the securities issued in the Fund.

There were no other significant acquisitions made during the period.

Disposals

Capital recycling remains part of the Group's growth strategy. Assets will be recycled where they are non-core or cease to meet target performance levels, risk appetite levels or efficiency metrics.

There were no disposals made during the period.

Capital management – debt & equity

Debt

During the period, the Group's National Australia Bank (NAB) facility increased to $93.00 million to fund the $9.00 million investment in the Eureka Villages WA Fund. The Group was in compliance with all banking covenants during the period. Under the terms of its NAB debt facility, Eureka is able to deposit and withdraw funds in accordance with its working capital needs, subject to satisfaction of the bank covenants.

At balance date, the drawn amount under the facility was $92.01 million (30 June 2023: $69.72 million) and 54% of the debt was hedged using interest rate swaps (30 June 2023: 72%). The loan expires on 31 March 2026. Further details of the NAB facility and the interest rate swaps are contained in Note 14.

Equity

The equity movements and balances for the period are as follows:

- Dividends of $2.02 million (2022: $1.50 million) were paid during the period, comprising cash dividends of $1.72 million (2022: $0.89 million) and shares issued to existing shareholders pursuant to the Dividend Reinvestment Plan (DRP) of $0.30 million (2022: $0.60 million), resulting in 684,145 shares being issued.

Directors' Report

- 226,830 share rights lapsed during the period following the resignation Mr Cameron Taylor, the Group's former Chief Executive Officer. Mr Taylor resigned effective 17 July 2023 following a period of personal leave due to a non-work-related accident. Executive Chairman, Mr Murray Boyte, is the interim CEO while a search is undertaken for a replacement.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Eureka is committed to:

- Implementing its environmental, social and governance framework. The Company's Environmental, Social & Governance (ESG) Committee is responsible for overseeing social, governance and environmental initiatives in accordance with the Group's 'resident-first' philosophy, its social licence to provide affordable rental accommodation to a growing number of seniors and minimising the Group's environmental impact;

- Further expanding its core business of providing rental accommodation for independent seniors through the active management of existing assets, the acquisition of additional villages and units, and the realisation of development opportunities, including development of the Group's greenfield sites in Kingaroy, Qld and Gladstone, Qld;

- Improving the performance of the existing portfolio with continued focus on maintaining and improving occupancy through the ongoing strengthening of our relationships within our communities;

- Implementing operational efficiencies, cost reduction and streamlined support services through process and systems improvements across our villages and support office; and

- Recycling of capital through the divestment of the Group's non-core assets and active portfolio management including the disposal of assets which may cease to meet target performance levels, risk appetite levels or efficiency metrics.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group, other than those addressed in the Directors' Report and in Note 19.

SUBSEQUENT EVENTS

Subsequent to balance date, the following significant transaction has occurred:

- Share rights – 665,628 share rights were issued in January 2024 pursuant to the Omnibus Equity Plan. The share rights have an exercise price of $nil and will vest on 30 September 2026, subject to the satisfaction of performance and service conditions.

- Dividend - the Company has declared an interim dividend in respect of the period of 0.70 cents per share, payable on 29 April 2024 amounting to $2.11 million. The record date is 5 April 2024. The Group's dividend reinvestment plan is effective for this dividend.

- Proposed takeover bid – On 23 January 2024 Aspen Group Limited (APZ) announced that it intended to make an off-market, all scrip offer, to acquire all of the issued capital of Eureka. APZ subsequently announced that it expected to issue its bidder's statement on or before 24 March 2024. Eureka announced on 9 February 2024 that its preliminary assessment was that APZ's offer was inadequate as it under-valued Eureka and represents either a discount or no meaningful premium over Eureka's share price at any time in the past 12 months.

No other matter or circumstance has arisen since balance date that has significantly affected the Group's operations, results or state of affairs.

Directors' Report

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. The amounts contained in the financial and directors' report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32.

Murray Boyte
Executive Chair

Dated this 29h day of February 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Rental income		14,286	11,765
Catering income	4	2,991	2,699
Service and caretaking fees	4	2,995	2,991
Total revenue		20,272	17,455
Finance income		10	12
Other income	4	10	99
Total revenue and other income		20,292	17,566
Village operating expenses	5	(9,367)	(8,537)
Employee expenses		(3,271)	(2,602)
Finance costs		(2,323)	(1,760)
Marketing expenses		(80)	(149)
Depreciation & amortisation		(402)	(422)
Other expenses		(1,980)	(1,610)
Total operating expenses		(17,423)	(15,080)
Share of profit of equity accounted investments	9	1,677	948
Net gain on change in fair value of:			
- Investment property	10	4,515	7,065
Impairment expense reversal of:			
- Financial assets		27	-
Total other items		6,219	8,013
Profit before income tax expense		9,088	10,499
Income tax expense	6	(2,789)	(2,749)
Profit after income tax expense		6,299	7,750
Other comprehensive income			
Items that may be reclassified to profit or loss			
- Gain / (loss) on cash flow hedges		(519)	85
- Share of other comprehensive income/(expense) of equity accounted investment		(92)	-
- Income tax (expense) / benefit	6	183	(21)
Other comprehensive income / (expense), net of tax		(428)	64
Total comprehensive income		5,871	7,814
Basic earnings per share (cents per share)		2.09	3.11
Diluted earnings per share (cents per share)		2.09	3.10

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	Note	31 Dec 2023 $'000	30 June 2023 $'000
Current assets			
Cash and cash equivalents		3,230	1,815
Trade and other receivables	7	1,355	499
Other assets	8	2,067	991
Total current assets		6,652	3,305
Non-current assets			
Equity accounted investments	9	21,219	10,934
Investment property	10	230,042	213,072
Property, plant and equipment		332	348
Right of use assets		699	766
Intangible assets	11	8,247	8,452
Other assets	8	16	535
Total non-current assets		260,555	234,107
Total assets		267,207	237,412
Current liabilities			
Trade and other payables	12	6,689	5,936
Provisions		1,001	946
Other financial liabilities	13	217	248
Total current liabilities		7,907	7,130
Non-current liabilities			
Trade and other payables	12	161	161
Provisions		41	31
Other financial liabilities	13	575	606
Borrowings	14	91,887	69,579
Deferred tax liability	6	18,555	15,949
Total non-current liabilities		111,219	86,326
Total liabilities		119,126	93,456
Net assets		148,081	143,956
Equity			
Share capital	15	127,678	127,378
Reserves	15	(23)	434
Retained profits		20,426	16,144
Total equity		148,081	143,956

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flows from operating activities		
Receipts from customers	19,597	17,659
Payments to suppliers and employees	(14,035)	(13,047)
Distributions from equity accounted investments	300	250
Interest received	10	8
Interest paid	(2,104)	(1,123)
Net cash provided by operating activities	3,768	3,747
Cash flows from investing activities		
Payments for additions to investment property	(13,153)	(26,235)
Payments for investment in associate	(9,000)	-
Payments for intangible assets	-	(909)
Payments for property, plant and equipment	(20)	(13)
Payments for other assets	(482)	(91)
Payments made to sell property assets	-	(9)
Proceeds from repayment of loans provided	30	91
Proceeds from sale of intangible assets	-	25
Net cash used in investing activities	(22,625)	(27,141)
Cash flows from financing activities		
Proceeds from borrowings	32,841	27,060
Repayment of borrowings	(10,556)	(29,900)
Payment of dividends	(1,718)	(893)
Proceeds from share issue	-	29,126
Payments for share issue transactions	-	(1,610)
Principal portion of lease payments	(168)	(136)
Payments for transaction costs related to borrowings	(127)	(22)
Net cash provided by financing activities	20,272	23,625
Net increase in cash and cash equivalents	1,415	231
Cash and cash equivalents at the beginning of the period	1,815	1,837
Cash and cash equivalents at the end of the period	3,230	2,068

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Share capital $'000	Retained profits $'000	Share based payment reserve $'000	Cash flow hedge reserve $'000	Total $'000
For the half-year ended 31 December 2023						
Balance at 1 July 2023		127,378	16,144	60	374	143,956
Profit for the period		-	6,299	-	-	6,299
Other comprehensive income/(expense)	15	-	-	-	(428)	(428)
Transactions with owners in their capacity as owners:						
Issue of share capital	15	300	-		-	300
Dividends paid	2	-	(2,017)	-	-	(2,017)
Share based payments expense reversal		-	-	(29)	-	(29)
Balance at 31 December 2023		127,678	20,426	31	(54)	148,081
For the half-year ended 31 December 2022						
Balance at 1 July 2022		98,422	496	115	-	99,033
Profit for the period		-	7,750	-	-	7,750
Other comprehensive income/(expense)		-	-	-	64	64
Transactions with owners in their capacity as owners:						
Issue of share capital	15	29,848	-	(120)	-	29,728
Transaction costs relating to share issue	15	(1,216)	-	-	-	(1,216)
Dividends paid	2	-	(1,495)	-	-	(1,495)
Share based payments expense		-	-	39	-	39
Balance at 31 December 2022		127,054	6,751	34	64	133,903

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

1. BASIS OF PREPARATION OF THE FINANCIAL REPORTS

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 'Interim financial reporting' and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the Group's annual financial report for the full year ended 30 June 2023.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(a) Summary of significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report, except for new amended standards and interpretations which have been applied as required. The equity accounted investments policy has been extended to include investments in associates.

i) Equity accounted investments

Joint venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Associates
Associates are entities over which the group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over these policies. This is generally the case where the Group holds between 20% and 50% of the voting rights. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Accounting treatment
The Group's investment in associates and its joint venture are accounted for using the equity method.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investee since the acquisition date. Goodwill relating to the investment is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the investment. Any change in other comprehensive income (OCI) of the investment is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the investee, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investee are eliminated to the extent of the interest in the investment.

The aggregate of the Group's share of profit or loss of an equity accounted investment is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the investee.

The financial statements of the investments are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the investee. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value, and then recognises the loss within the 'share of profit of equity accounted investments' in the statement of profit or loss.

Upon loss of significant influence over an associate or joint control over a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investment upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(b) New, revised or amending Accounting Standards and Interpretations adopted

Several amendments and interpretations apply for the first time for the half-year financial statements but do not have an impact on the consolidated half-year financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued or which are not yet effective.

(c) Comparative Information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current period amounts and or disclosures.

(d) Significant accounting judgements, estimates and assumptions

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

i) 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 selling 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:

- Valuations undertaken by accredited external independent valuers;
- Acquisition price paid for the property;
- 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
- Capitalised income projections based upon a property's estimated maintainable earnings and capitalisation rate.

ii) 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.

The returns from the Group's investment property include rental income and income from provision of ancillary services, including 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 assessing qualitative factors, which include both operational and legislative considerations, and quantitative factors, which includes comparing:

- the value of the ancillary services to the total income generated from the property; and
- the profit generated from ancillary services to the total profit generated from the property.

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

iii) Goodwill
Goodwill is allocated to the property management cash-generating unit (CGU). The Group tests the carrying value of goodwill on an annual basis to assess for any impairment, or more frequently, if events or changes in circumstances indicate impairment. The recoverable amount of the CGU is 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.

iv) Amortisation of management rights

Management rights are amortised over their estimated useful life. If the contractual or other legal rights of the management rights can be renewed, the useful life of the intangible asset includes the renewal period if there is evidence to support renewal by the entity without significant cost. Otherwise the management rights are amortised over the life of the contract.

For strata-titled villages (where units are individually owned by third parties) where management rights are attached, the Group generally 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 considers the expected usage of the assets, the legal rights over the asset and the renewal period of the management rights agreements. Where there is evidence to support renewal of the management rights, the amortisation period is 40 years, similar to the life of the property the management rights are attached to, otherwise the amortisation period is the term of the management rights agreement.

For single-owner villages (where all units in the village are owned by a single third party) where management rights are attached, the management rights are amortised over the life of the contract. Eureka considers that it has materially less control over future contract renewals in single-owner villages than it does with the strata-titled villages primarily because it does not own or have tenure in respect of the manager's unit and a single vote of the owner can result in Eureka's management rights contract not being renewed.

The amortisation period and the amortisation method for management rights are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate.

v) Recovery of receivables

At each reporting date the Group assesses the recoverability of trade, loan and other receivables by reference to the expected future cash flows, the credit worthiness of the borrowers and the value of security provided. For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

vi) 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.

vii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and income tax losses. These assets are only recognised if the Group considers it probable that future taxable amounts will be available to utilise those temporary difference assets. Judgement is required in assessing the availability of income tax losses primarily involving the satisfaction by the relevant Group entities of legislative requirements at each reporting date by the Group including for certain years satisfaction of the "Same Business Test" as defined in section165-210 of the Income Tax Assessment Act 1997.

viii) Measurement of deferred tax balances

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. The Group is currently a base rate entity and subject to a 25% tax rate. Judgement is required in assessing the tax rate that will apply when the temporary differences reverse. Deferred tax balances have been reported at a 30% tax rate at balance date.

ix) 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 significant unobservable inputs as disclosed in Note 10.

x) Equity accounted investments

The Group's investment in the Eureka Villages WA Fund (the Fund) has been classified as an investment in an associate. Judgement is required in the Group's assessment that it has significant influence over the financial and operating policies of the Fund and, accordingly, has adopted the equity method of accounting.

2. DIVIDENDS

A dividend of 0.67 cents per share (2022: 0.63 cents per share), totalling $2.02 million (2022: $1.50 million), was declared on 29 August 2023 and paid on 12 October 2023. No other dividends were paid or declared during the period.

Since balance date, the Board has declared an interim dividend of 0.70 cents per share, amounting to $2.11 million payable on 29 April 2024. The record date is 5 April 2024. The Group's dividend reinvestment plan is effective for this dividend. The financial effect of this dividend has not been brought to account in this half-year financial report ended 31 December 2023.

3. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

The Group is organised into two operating segments located in Australia:
- Rental Villages – ownership of seniors' rental villages; and
- Property Management – management of seniors' independent living communities.

The operating segments have been identified based upon reports reviewed by the Board of Directors, who are identified as the chief operating decision makers and 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 segment's 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.

Segment information is prepared in conformity with the accounting policies of the Group as discussed in Note 1 and Australian Accounting Standards.

Balances have been allocated to segments as follows:

- Rental villages include equity accounted investments;
- Property management includes management rights; and
- Unallocated includes support office costs, corporate overheads, cash and support office right of use assets. Segment liabilities include a deferred tax asset which is netted off against deferred tax liabilities in the Group balance sheet.

Cash flows are not measured or reported by segment.

Notes to the Financial Statements

Consolidated – 31 December 2023	Rental Villages $'000	Property Management $'000	Unallocated $'000	Total $'000
Revenue	17,279	2,993	-	20,272
Finance income	-	-	10	10
Other income	10	-	-	10
Total revenue and other income	17,289	2,993	10	20,292
Village operating expenses	(7,628)	(1,739)	-	(9,367)
Employee expenses	-	-	(3,271)	(3,271)
Finance costs	(2,233)	(78)	(12)	(2,323)
Marketing expenses	(46)	(2)	(32)	(80)
Depreciation & amortisation	(6)	(236)	(160)	(402)
Other expenses	-	-	(1,980)	(1,980)
Total operating expenses	(9,913)	(2,055)	(5,455)	(17,423)
Net gain on change in fair value of:				
- Investment property	4,515	-	-	4,515
Share of profit of equity accounted investments	1,677	-	-	1,677
Impairment expense reversal	-	-	27	27
	6,192	-	27	6,219
Profit/(loss) before income tax	13,568	938	(5,418)	9,088
Income tax (expense)/benefit	(4,164)	(288)	1,663	(2,789)
Profit/(loss) after income tax	9,404	650	(3,755)	6,299
Segment assets	253,171	9,082	4,954	267,207
Segment liabilities	93,244	3,379	22,503	119,126

Consolidated – 31 December 2022	Rental villages $'000	Property management $'000	Unallocated $'000	Total $'000
Revenue	14,736	2,719	-	17,455
Finance income	-	-	12	12
Other income	30	69	-	99
Total revenue and other income	14,766	2,788	12	17,566
Village operating expenses	(6,976)	(1,561)	-	(8,537)
Employee expenses	-	-	(2,602)	(2,602)
Finance costs	(1,662)	(84)	(14)	(1,760)
Marketing expenses	-	-	(149)	(149)
Depreciation & amortisation	(9)	(267)	(146)	(422)
Other expenses	-	-	(1,610)	(1,610)
Total operating expenses	(8,647)	(1,912)	(4,521)	(15,080)
Net gain on change in fair value of:				
- Investment property	7,065	-	-	7,065
Share of profit of equity accounted investments	948	-	-	948
	8,013	-	-	8,013
Profit/(loss) before income tax	14,132	876	(4,509)	10,499
Income tax (expense)/benefit	(3,618)	(283)	1,152	(2,749)
Profit/(loss) after income tax	10,514	593	(3,357)	7,750
Segment assets	199,585	9,833	5,911	215,329
Segment liabilities	67,987	3,601	9,838	81,426

4. REVENUE AND OTHER INCOME

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Other income		
Gain on sale of intangible assets	-	26
Other	10	73
	10	99

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time (catering income) and services over time (service and caretaking fees) in Australia:

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
At a point in time	2,991	2,699
Over time	2,995	2,991
Total	5,986	5,690

Notes to the Financial Statements

5. VILLAGE OPERATING EXPENSES

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Staff and village manager costs	4,365	4,349
Catering expenses	1,793	1,233
Other village expenses	3,209	2,955
	9,367	8,537

6. INCOME TAX

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
The major components of income tax expense are as follows:		
Consolidated Statement of Profit or Loss		
Current income tax	-	-
Deferred income tax	2,789	2,749
Income tax expense reported in the Statement of Profit or Loss	2,789	2,749
A reconciliation of income tax expense and the profit before tax multiplied by the applicable tax rate is as follows:		
Profit before tax	9,088	10,499
Income tax calculated at 25% (2022: 25%)	2,272	2,625
Tax effect of permanent differences	7	19
Deferred tax assets not recognised	44	109
Recognition of deferred tax assets not previously recognised	-	(4)
Tax effect of recognising deferred tax balances at 30% tax rate	466	-
Income tax expense reported in the Statement of Profit or Loss	2,789	2,749
Movement in deferred tax balances charged/(credited):		
In profit or loss	2,789	2,749
Directly in equity – transaction costs	-	(405)
In other comprehensive income	(183)	21
Total deferred tax recognised	2,606	2,365

Deferred tax balances have been stated at 30% (30 June 2023: 30%).

	Consolidated	
	31 Dec 2023 $'000	**30 June 2023 $'000**
Recognised in the Statement of Financial Position		
Deferred tax assets		
Tax losses – revenue	8,389	8,125
Deferred tax liabilities		
Net (assessable) and deductible differences on sundry items	(1,720)	(1,141)
Investment property, property, plant and equipment	(25,224)	(22,933)
Net deferred tax liability	(18,555)	(15,949)

Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets		
Tax losses – capital	269	269
Non-deductible capital items	2,061	2,009
Net unrecognised deferred tax assets	2,330	2,278

Reconciliation of unrecognised tax balances:		
Opening balance	2,278	1,491
Capital tax losses not recognised	-	32
Movement attributable to non-deductible capital items	44	375
Tax effect of recognising deferred tax balances at 30% tax rate	8	380
Total movement	52	787
Closing balance	2,330	2,278

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets are not 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 because they relate to capital assets.

The benefits of the Group's recognised and unrecognised tax losses will only be realised if:

- the Group continues to meet the requirements of applicable tax laws to allow the losses to be carried forward and utilised, including for certain years satisfaction of the "Same Business Test" as defined in section 165-210 of the Income Tax Assessment Act 1997;
- the Group earns taxable profits including capital gains, in future periods; and
- applicable tax laws are not changed, causing the losses to be unavailable.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Trade receivables	992	213
Accrued debtors and other receivables	363	286
	1,355	499

Trade receivables are non-interest bearing unless otherwise stated and are generally on 30 day terms. Expected credit loss was considered not material at each reporting date.

8. OTHER ASSETS

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Current		
Prepayments and other assets	1,878	802
Capital replacement funds	189	189
	2,067	991
Non-current		
Derivative financial assets [1]	16	535
Other [2]	-	-
	16	535

[1] The derivative financial assets relate to interest rate swaps. Refer note 14.

[2] Other non-current assets includes:

a) Bartercard dollars – Bartercard is an alternative currency and operates as a trade exchange. At balance date, the Bartercard carrying value was $nil (30 June 2023: $nil). The Group continues to hold Barter dollars with a face value of $2.63 million (30 June 2023: $2.63 million).

b) Couran Cove loan receivable including land option – The carrying value of a loan receivable for $3.00 million, including land option, which gives the Group a first right of refusal to purchase 60 proposed cabin sites for $50,000 per site at Couran Cove, Qld has been assessed based on a thorough review, including independent assessment of the land held as security for the loan. The assessed fair value of the loan is $nil (30 June 2023: $nil). There has been no change to the Group's security arrangements, including a mortgage over the land. The loan expiry date was 31 August 2021. Eureka has reserved its rights in relation to the recovery of this loan. This loan is guaranteed by Onterran Ltd. No interest accrues on this loan.

9. EQUITY ACCOUNTED INVESTMENTS

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Movements in aggregate carrying amount:		
Opening balance	10,934	7,196
Acquisition	9,000	-
Share of profit	1,677	4,246
Share of other comprehensive income/(expense)	(92)	-
Cash distributions received	(300)	(508)
Closing balance	21,219	10,934

(a) Summary of equity accounted investments

The Group has the following equity accounted investments:

- a 50% interest in a joint venture (JV) that owns five rental villages in Tasmania (30 June 2023: 50%). The joint venture comprises Affordable Living Unit Trust and Affordable Living Services Trust, the latter of which has been dormant since May 2020; and
- an investment in the Eureka Villages WA Fund (the Fund) that owns six rental villages in Western Australia. The Fund was established during the current reporting period. At balance date, the Group holds 32.76% of the Fund (30 June 2023: nil). The fund comprises two stapled trusts being the Eureka Villages Operating Trust and the Eureka Villages Property Trust. The trustee is a licensed corporate trustee.

	Affordable Living Unit Trust		Eureka Villages WA Fund	
Movements in carrying amount:	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000
Opening balance	10,934	7,196	-	-
Acquisition	-	-	9,000	-
Share of profit	1,621	4,246	56	-
Share of other comprehensive income	-	-	(92)	-
Cash distributions received	(300)	(508)	-	-
Closing balance	12,255	10,934	8,964	-

(b) Summarised statements of financial position

	Affordable Living Unit Trust		Eureka Villages WA Fund	
	31 Dec 2023 $'000	30 Jun 2023 $'000	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets [1]	580	132	2,770	-
Non-current assets [2]	33,429	30,950	46,852	-
Current liabilities [3]	(785)	(489)	(2,245)	-
Non-current liabilities [4]	(8,714)	(8,725)	(20,930)	-
Net assets	24,510	21,868	26,447	-
Group's share in net assets	12,255	10,934	8,664	-
Carrying amount of the investment	12,255	10,934	8,964	-

1 Including cash and cash equivalents
2 Comprising investment property
3 For Affordable Living Unit Trust – includes borrowings of $0.14 million (30 June 2023: $0.14 million), repayable within 12 months
4 Includes non-current borrowings, net of prepaid borrowing costs

(c) Summarised statement of profit or loss and other comprehensive income:

	Affordable Living Unit Trust		Eureka Villages WA Fund	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	$'000	$'000	$'000	$'000
Revenue	2,678	2,490	507	-
Cost of sales	(1,325)	(1,297)	(243)	-
Net gain on change in fair value of investment property	2,201	917	-	-
Finance costs	(325)	(215)	(92)	-
Other income	12	1	-	-
Profit before tax	3,241	1,896	172	
Income tax expense[1]	-	-	-	-
Profit	3,241	1,896	172	-
Other comprehensive income	-	-	(281)	-
Total comprehensive income	3,241	1,896	(109)	--
Group's share of profit	1,621	948	56	-
Group's share of other comprehensive income	-	-	(92)	-
Group's share of total comprehensive income	1,621	948	(36)	-

[1] Eureka and other investors are presently entitled to the net income of the respective trusts for tax purposes. As a result, there is no tax payable or tax expense in the equity accounted investments.

(d) Commitments and Contingencies:

Neither the Affordable Living Unit Trust nor the Eureka Villages WA Fund had any contingent liabilities or commitments at balance date (30 June 2023: $nil).

Notes to the Financial Statements

10. INVESTMENT PROPERTY

	Consolidated	
	31 Dec 2023 $'000	**30 June 2023 $'000**
Balance at beginning of reporting period	213,072	159,660
Acquisitions	2,845	23,400
Development costs	7,811	4,171
Capital expenditure	1,799	3,569
Transfer from intangible assets – management rights	-	167
Transfer from property, plant and equipment	-	135
Disposals	-	(81)
Net gain on change in fair value	4,515	22,051
Balance at end of reporting period	230,042	213,072

The Group's investment property portfolio consists of 28 rental village assets (30 June 2023: 28) along with manager's units and individual rental units in managed villages. It also includes land for development in Kingaroy, Qld and Gladstone, Qld and land in Lismore, NSW. The Group considers investment properties reside in one class of asset, being seniors' rental villages.

At balance date, the Group undertook a review of the fair value of all investment properties held and recorded a net gain on change in fair value of $4.52 million (31 December 2022: $7.06 million).

The net gain on change in fair value adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed below and in Note 16. The net change in fair value is recognised in profit or loss in the reporting period in which the assessment is made.

The Group's external valuation program continued during the period, with 4 properties being independently valued. 24 properties were independently valued at 30 June 2023.

In determining the fair value of investment properties, significant unobservable inputs and sensitivity are as follows:

Description	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**		**Relationship of unobservable input to fair value**
			31 Dec 2023	**30 June 2023**	
Investment property – Rental villages	Capitalisation method [1]	Capitalisation rate	6.5% - 11.0% (8.25%) [2]	6.5%-11.0% (8.3%) [2]	Capitalisation rate has an inverse relationship to valuation.
		Stabilised occupancy	92% - 99% (97.9%) [3]	95%-99% (97.8%) [3]	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
Investment property – individual village units	Direct comparison approach	Comparable sales evidence	N/A	N/A	Comparable sales evidence has a direct relationship to valuation

1. Significant changes in any of the significant unobservable valuation inputs under the capitalisation method would result in a significantly lower or higher fair value measurement.

2 Excludes one apartment-style complex with a capitalisation rate of 6.25% (30 June 2023: 6.25%) and a village in which National Disability Insurance Scheme services revenue is earned with a capitalisation rate of 7.5% (30 June 2023: 7.5%).

3 Excludes one short stay village with a stabilised occupancy rate of 70% (30 June 2023: 70%).

Amounts recognised in profit or loss for investment properties:

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Rental income	14,286	11,765
Catering income	1,848	1,737
Direct operating expenses generating rental and catering income	(7,628)	(6,976)
Net gain on change in fair value	4,515	7,065

The Group has no restrictions on the realisability of its investment property and has a contractual obligation to complete the development of the Brassall village. There are no further contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Note 14 contains details of assets pledged as security for borrowings.

Notes to the Financial Statements

11. INTANGIBLE ASSETS

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Management rights – at cost	8,820	8,820
Accumulated amortisation and impairment	(2,616)	(2,413)
Net	6,204	6,407
Rent rolls – at cost	140	140
Accumulated amortisation	(61)	(59)
Net	79	81
Other intangibles – at cost	33	33
Accumulated amortisation	(25)	(24)
Net	8	9
Goodwill	1,956	1,955
Total intangible assets	8,247	8,452

The Group's business activities include the ownership and management (through management letting rights agreements) of seniors' rental accommodation throughout Australia. The intangible assets were separately classified in accordance with accounting standards following asset acquisitions.

The remaining amortisation period for the management rights, on a weighted average basis, is 36 years (30 June 2023: 36 years).

12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Current		
Trade creditors and accruals	5,211	4,389
Unearned income	363	666
Accrued interest	1,088	854
Capital replacement fund liability	27	27
	6,689	5,936
Non-current		
Capital replacement fund liability	161	161
	161	161

13. OTHER FINANCIAL LIABILITIES

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Current		
Lease liability	217	248
	217	248
Non-current		
Lease liability	575	606
	575	606

14. BORROWINGS

	Consolidated	
	31 Dec 2023 $'000	30 June 2023 $'000
Non-current		
Bank loan – secured	92,009	69,724
Borrowing costs	(122)	(145)
	91,887	69,579

At balance date, the Group has access to National Australia Bank ("NAB") facilities with the following terms:

		Consolidated	
		31 Dec 2023	30 June 2023
Facility limit	$'000	93,000	83,000
Drawn debt	$'000	92,009	69,724
Facility expiry		31 March 2026	31 March 2026
Hedged amount	$'000	50,000	50,000
Weighted average interest rate (including margin)	%	5.92	5.96
Weighted average term to hedge expiry	years	1.65	2.15

The facility limit increased by $10.00 million during the period to $93.00 million.

The NAB facilities are secured by a first priority general security over all present and future acquired property and specified management letting rights. As at 31 December 2023, property assets and management letting rights, with a carrying value of $235.83 million (30 June 2023: $218.94 million), have been pledged by the Group.

The loan facilities are subject to covenants which are commensurate with normal secured lending terms. The Group complied with its covenants throughout the current and prior period.

Interest is payable quarterly on the total drawn amount, inclusive of facility fees. A facility fee applies to any undrawn amount. No principal payments are required until expiry.

The Group had unused borrowing facilities of $0.99 million at balance date (30 June 2023: $13.28 million).

Under the terms of the loan facility, Eureka is able to deposit and withdraw funds in accordance with its working capital needs, subject to satisfaction of the bank's covenants. Eureka will use the bank loan facility and forecast cash from operations to enable payments to be made as and when they fall due.

Cash flow hedges

During the year ended 30 June 2023, the Group entered into three fixed interest rate swaps, swapping the liability to pay interest based variable BBSY for fixed interest rates. The effects of the interest rate swaps on the Group's financial position and performance are as follows:

		Interest rate swap #1	Interest rate swap #2	Interest rate swap #3
Swap amount	$'000	20,000	20,000	10,000
Effective date		30 Dec 2022	30 Dec 2022	30 Mar 2023
Maturity date		30 Dec 2024	30 Dec 2025	30 Mar 2026
Interest rate including margin	%	5.86	5.85	5.89
Carrying amount – derivative financial assets (Refer Note 8)	$'000	44	(7)	(21)
Decrease in fair value of hedges recognised in other comprehensive income	$'000	(149)	(241)	(129)

At balance date, 54% of the Group's drawn debt is hedged (30 June 2023: 72%). The interest on the swaps is settled quarterly on dates coinciding with the dates on which interest is payable on the underlying debt.

15. SHARE CAPITAL AND RESERVES

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			
Issues of ordinary shares	**31 Dec 2023 Number**	**31 Dec 2023 $'000**	**30 June 2023 Number**	**30 June 2023 $'000**
Opening balance	301,063,458	127,378	237,186,521	98,422
Shares issued under the Dividend Reinvestment Plan	684,145	300	3,372,347	1,796
Shares issued under long-term incentive scheme	-	-	429,362	120
Shares issued under entitlement offer	-	-	60,075,228	28,236
Transaction costs, net of tax	-	-	-	(1,196)
Closing balance	301,747,603	127,678	301,063,458	127,378

Pursuant to the Company's Dividend Reinvestment Plan:

- On 06 October 2022, 2,685,348 shares were issued at $0.5557 for the 2022 financial year final dividend.
- On 06 April 2023, 686,999 shares were issued at $0.4424 for the 2023 financial year interim dividend.
- On 14 October 2023, 684,145 shares were issued at $0.4377 for the 2023 financial year final dividend.

Pursuant to the Company's Omnibus Equity Plan:

- On 30 September 2022, 429,362 shares were issued at $nil consideration upon vesting and exercise of employee share rights. $0.12 million was transferred from the share-based payments reserve to share capital.

Pursuant to the Company's Entitlement Offer:

- On 03 November 2022, 50,153,787 institutional shares were issued at $0.47.
- On 28 November 2022, 9,921,441 retail shares were issued at $0.47.

Reserves

	Consolidated	
	31 Dec 2023 $'000	**30 June 2023 $'000**
Share based payment reserve		
Opening balance	60	115
Share based payments expense / (reversal)	(29)	65
Transferred to share capital	-	(120)
Closing balance	31	60
Cash flow hedge reserve		
Opening balance	374	-
Gain / (loss) on change in fair value of hedge	(519)	535
Share of (loss) on change in fair value of hedge in equity accounted investment	(92)	-
Income tax (expense)/benefit	183	(161)
Closing balance	(54)	374
Total Reserves	(23)	434

Share based payment reserve

The share based payment reserve is used to recognise the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. During the period 226,830 rights lapsed.

16. FAIR VALUES

Investment property, other assets (land option) and derivative financial instruments are measured at fair value using the fair value measurement hierarchy method described in Note 1. All fair value measurements are categorised as Level 3 in the fair value hierarchy. There were no transfers between levels during the period. 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.

The Group has a number of financial assets and financial liabilities which are required to be 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.

The Directors believe that the carrying value of all assets and liabilities approximates their fair values at balance date.

Investment properties may be valued using two 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 upon 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 in the fair value hierarchy.

17. RELATED PARTY TRANSACTIONS

	Sales to / (purchases from) related parties		Amounts owed by / (payable to) related parties	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**	**31 Dec 2023 $'000**	**31 Dec 2022 $'000**
Joint venture				
Management fees	172	160	32	58
Associate				
Asset management fee	9	-	9	-
Funds management fee	18	-	18	-
Acquisition fee	220	-	242	-
Recoverable expenses	482	-	482	-
Director-related entities				
Financial services	(10)	-	(10)	-

Amounts owed by related parties are classified as trade receivables. Amounts payable to related parties are classified as trade payables.

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

During the period, the Group entered into an Authorised Representative Agreement with Leftfield Investments Pty Ltd (Leftfield), a director-related entity of Mr Greg Paramor. The fee payable to Leftfield by the Group is $60,000 per annum. Leftfield is also the trustee of the Eureka Villages WA Fund, in which the Group has a 32.76% interest at balance date (30 June 2023: nil). Leftfield is entitled to trustee fees of $30,000 per annum from the Fund, which comprises two stapled trusts.

18. COMMITMENTS AND CONTINGENCIES

As at balance date, the Group had the following commitments:

- The Group has a fully cancellable contract with the appointed builder for its Brassall development of 51 premium freestanding 2-bedroom residences. The total contract value is $10.10 million (June 2023: $8.82 million) exclusive of GST and is subject to rise and fall. At balance date, $8.62 million excluding GST has been paid and $0.60 million has been recognised as a liability at balance date. The remaining contractual amount of $0.88 million (including retentions) has not been recognised as a liability.

The Group had no other material commitments at balance date.

There are no contingent liabilities at balance date.

19. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to balance date, the following significant events have occurred:

- Share rights – 665,628 share rights were issued in January 2024 pursuant to the Omnibus Equity Plan. The share rights have an exercise price of $nil and will vest on 30 September 2026, subject to the satisfaction of performance and service conditions.

- Dividend - the Company has declared an interim dividend in respect of the period of 0.70 cents per share, payable on 29 April 2024 amounting to $2.11 million. The record date is 5 April 2024. The Group's dividend reinvestment plan is effective for this dividend.

- Proposed takeover bid – On 23 January 2024 Aspen Group Limited (APZ) announced that it intended to make an off-market, all scrip offer, to acquire all of the issued capital of Eureka. APZ subsequently announced that it expected to issue its bidder's statement on or before 24 March 2024. Eureka announced on 9 February 2024 that its preliminary assessment was that APZ's offer was inadequate as it under-valued Eureka and represents either a discount or no meaningful premium over Eureka's share price at any time in the past 12 months.

Other than the above-mentioned items, no other matter or circumstance has arisen since balance date 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 periods.

Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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

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 31 December 2023 and of its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Board

Murray Boyte
Executive Chair

Dated this 29th day of February 2024

Building a better
working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's independence declaration to the directors of Eureka Group Holdings Limited

As lead auditor for the review of the financial report of Eureka Group Holdings Limited for the half-year ended 31 December 2023, 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
29 February 2024

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's review report to the members of Eureka Group Holdings Limited

Conclusion

We have reviewed the accompanying half-year financial report of Eureka Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
29 February 2024

Corporate Directory

Contact Details

Registered Address	Suite 2D, 7 Short St, Southport QLD 4215
Brisbane Office	Level 5, 120 Edward St QLD 4000
Postal Address	PO Box PO Box 10819, Southport BC QLD 4215
Phone number	07 5568 0205
Website	www.eurekagroupholdings.com.au
Email	info@eurekagroupholdings.com.au

Board of Directors

Murray Boyte	Executive Chair
Russell Banham	
Sue Renkin	
Greg Paramor AO	

Senior Management

Murray Boyte	Executive Chair and interim Chief Executive Officer
Laura Fanning	Chief Financial Officer & Company Secretary

Company Secretary
Patricia Vanni de Oliveira

Solicitors
Hamilton Locke
Riverside Centre
Level 19/123 Eagle Street
Brisbane QLD 4000
Tel: 07 3036 7886

Minter Ellison
Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Tel: 07 3119 6182

Auditors
Ernst & Young
111 Eagle St
Brisbane Qld 4000
Tel: 07 3011 3333
Fax: 07 3011 3344

Share Registry
Link Market Services – Brisbane
Level 21, 10 Eagle Street
Brisbane Qld 4000
Call Centre: 02 8280 7454
Fax: 07 3228 4999

Securities Exchange Listing
ASX Limited
ASX Code: EGH (ordinary shares)

Australian Business Number
15 097 241 159