

## Eureka Group Holdings Limited

ABN: 15 097 241 159

Current period	1 July 2019 – 30 June 2020
Previous corresponding period	1 July 2018 – 30 June 2019

### Results for announcement to the market

Summary Financial Information	Year ended 30 June 2020 A\$000	Year ended 30 June 2019 A\$000	Change %
Revenue from ordinary activities	24,809	23,236	+6.8%
EBITDA from core operations <sup>1</sup>	8,700	7,832	+11.1%
Profit from ordinary activities after tax attributable to members	8,095	6,794	+19.2%
Net profit for the period attributable to members	8,095	6,794	+19.2%

Dividends	Year ended 30 June 2020 Cents	Year ended 30 June 2019 Cents	Change %
Interim dividend - unfranked	0.55	-	N/a
Final dividend – unfranked	<u>0.55</u>	<u>1.00</u>	<u>N/a</u>
Total dividend – unfranked	1.10	1.00	10%
<b>FY20 Final dividend dates</b>			
Ex-dividend date	31 August 2020		
Record date	1 September 2020		
Payment date	25 September 2020		
No dividend reinvestment plan is in operation.			

Additional Financial Information	Year ended 30 June 2020 Cents	Year ended 30 June 2019 Cents	Change %
Earnings per ordinary share (EPS)	3.52 cents	2.95 cents	+19.3%
Diluted earnings per share	3.52 cents	2.95 cents	+19.3%

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 Annual Report.

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

	Current Period Cents	Prior Period Cents
<b>Net tangible assets per security</b>		
Net tangible assets backing per ordinary security	35.2	33.1

#### Details of Entities Over Which Control Has Been Gained or Lost

##### *Control gained over entities*

Name of entity (or group of entities)	N/A
Date control gained	N/A
Contribution of the controlled entity (or group of entities) to profit after tax from ordinary activities during the period, from the date of gaining control	N/A

#### 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%

	Current Period \$A'000	Prior Period \$A'000
Aggregate share of profits from Joint Venture Entities	1,980	712
Contribution to net profit from Joint Venture Entities	1,980	712

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### Foreign Entities Accounting

For Foreign Entities provide details of which accounting standards have been adopted (e.g. International Accounting Standards)

N/A
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### Audit qualification of review

The attached Annual Financial Report for year ended 30 June 2020 has been audited by the auditor and the Independent Auditor's Audit Report is included in the Annual Financial Report. No disputes or qualifications are noted.

### Attachments forming part of Appendix 4E

- |   |   |
|---|---|
| 1 | Annual Report for the year ended 30 June 2020 |
|---|---|



**Murray Boyte**  
Chair

Dated in Brisbane this 21<sup>st</sup> day of August 2020

# Annual Report **2020**

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30 June 2020





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# 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 year ended 30 June 2020 ("the year").

## DIRECTORS

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

Murray Boyte	
Sue Renkin	
Russell Banham	
Greg Paramor	Appointed 19 June 2020
Lachlan McIntosh	Resigned 31 December 2019

## PRINCIPAL ACTIVITIES

The principal activities of the Group include:

- Providing accommodation and services to independent senior residents; and
- Providing specialist property management and caretaking services for seniors' independent living communities.

## REVIEW OF OPERATIONS AND RESULTS

The Group has reported a profit after tax for the year of \$8.10 million (2019: \$6.79 million) and an EBITDA<sup>1</sup> from core operations of \$8.70 million (2019: \$7.83 million). The Group's portfolio of residential village assets performed well with increased revenue primarily due to the acquisition of a 124-unit rental village in Bundaberg Qld, improved occupancy to 95% (2019: 91%) across the portfolio coupled with cost savings from the installation of solar power. The Group's results include a gain on the sale of units at Terranora NSW, asset revaluations, a refund of prior period goods and services tax (GST) and an increased profit contribution from the joint venture which owns and operates the Tasmanian village portfolio.

A summary of the Group's performance and reconciliation to the Group's EBITDA<sup>1</sup> from core operations is shown below:

### Performance Summary

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Profit after income tax expense	8,095	6,794
Income tax expense	980	-
Depreciation and amortisation	591	225
Finance costs	2,508	2,766
EBITDA <sup>1</sup>	12,174	9,785
(Gain)/Loss on fair value adjustment of:		
- Investment property	(1,383)	(2,253)
- Other assets	53	300
- Tasmanian villages – included in Share of profit of a joint venture	(1,088)	-
Impairment of intangible and other assets	619	-
Gain on sale of Terranora units	(1,031)	-
Refund of prior period GST	(644)	-
EBITDA <sup>1</sup> from core operations	8,700	7,832
Basic earnings per share	3.52	2.95
Diluted earnings per share	3.52	2.95

<sup>1</sup> EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure, however, 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 presented has been calculated from amounts disclosed in the financial statements.

The Directors note that 30 June 2020 EBITDA includes the impact of accounting for AASB 16 Leases, whilst the 30 June 2019 results were prepared under the previous lease accounting standard requirements; refer to notes 2 and 15 for further explanations.

Eureka owns 30 villages, 5 of which are owned in a joint venture, and has 8 villages under management, representing 2,147 units (2019: 2,119 units).

# Directors' Report

The Group has recorded an income tax expense and a net deferred tax liability for the year of \$0.98 million (2019: \$nil). No cash tax will be payable until the Group has utilised its revenue tax losses, all of which have now been recognised.

## Financial Position

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

		<b>Consolidated</b>	
		<b>30 June 2020</b>	<b>30 June 2019</b>
Total assets	\$'000	145,205	133,072
Net assets	\$'000	85,868	81,482
Cash and cash equivalents	\$'000	2,451	3,060
Debt	\$'000	54,472	49,234
Shares on issue	'000	230,038	230,038
Net tangible assets per share <sup>1</sup>	cents	35.2	33.1
Balance sheet gearing <sup>2</sup>	%	36.4	35.5

<sup>1</sup> Net tangible assets per share excludes lease right of use (ROU) assets.

<sup>2</sup> Balance sheet gearing is calculated as interest-bearing drawn debt, net of cash, divided by total assets net of cash.

Significant balance sheet movements during the financial year were as follows:

- A reduction in inventory (\$4.33 million) due to the sale of Terranora units, the sale of other non-core assets (\$2.07 million), net drawdown of debt (\$5.24 million) and an increase in the value of investment properties (\$16.04 million) through acquisitions, enhancements and asset revaluations.
- ROU assets (\$0.72 million) and lease liabilities (\$0.87 million) have been recognised at 30 June 2020 as a result of adopting AASB 16. Further details are contained in notes 2, 15 and 19.
- A deferred tax liability was recognised during the year (\$0.98 million).

## Acquisitions and asset management

The Group acquired a 124-unit rental village in Bundaberg, Qld for \$13.13 million (excluding transaction costs), on 28 February 2020. The Group also increased its ownership in non-wholly owned villages by acquiring 7 units for \$0.65 million (excluding transaction costs).

The Group spent \$1.94 million on enhancing its owned villages through capital improvements including expenditure of \$0.60 million on its solar energy program.

## Disposals

The Group's program of realising non-core and underperforming assets continued during the year including:

- settlement of 27 units at Terranora, NSW for \$6.39 million;
- disposal of the property located at Bowen, Qld for \$1.53 million; and
- the sale of two houses in Mt Gambier, SA for \$0.54 million.

## Terranora

During the year, 27 units were sold and settled for total consideration of \$6.39 million. An additional 4 units have settled and 1 unit exchanged, totalling \$1.43 million subsequent to year-end. The remaining unsold units are held in inventory and valued at the lower of cost or net realisable value.

The Group continues to hold a vacant 4.8 hectares of land \$2.30 million (2019: \$2.30 million) and manager's unit \$0.60 million (2019: \$0.60 million) as investment property at fair value.

## Couran Cove

The McIntosh loan was repaid in full during the year.

The West Cabin loan of \$0.32 million (2019: \$0.32 million), is due to be repaid upon settlement of the sale contracts for two cabins held as security against the loan. Note 8 contains further details.

The 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 is held at its assessed fair value of \$1.05 million (2019: \$1.24 million). Note 9 contains further details.

# Directors' Report

## Capital management – debt & equity

### Debt

The Group's National Australia Bank (NAB) facility was increased from \$55.00 million to \$60.00 million to partly fund the acquisition of the new village at Bundaberg, Qld. The Group was in compliance with all banking covenants during the year. 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's covenants. At balance date the undrawn amount under the facility was \$5.53 million.

The Westpac debt facility of \$1.76 million was repaid and closed during the year.

### Equity

The following changes in equity occurred during the year:

- the on-market share buy-back was extended until 16 March 2021. No shares were bought back and cancelled during the year (2019: nil);
- there were 429,362 share rights outstanding at 30 June 2020 (30 June 2019: nil). Further details are provided in the Remuneration Report; and
- dividends of \$3.57 million were paid during the year as noted below.

### Impact of AASB 16 Leases

The Group adopted AASB16 Leases from 1 July 2019 using the modified retrospective method, whereby the Group has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019 and has not restated comparatives, as permitted under the specific transition provisions in the standard. The leases relate to office space, office equipment and a number of residential units which the Group sub-leases. The adoption of AASB 16 Leases has resulted in a decrease in operating expenses and an increase in depreciation and finance costs. Given the effect of the new accounting standard on the year end results and balance sheet at 30 June 2020, the Directors have included the following tables. Further information on the impact of the new Leases standard is described in note 2 and 15.

#### Impact on Consolidated Statement of Financial Position

	30 June 2019 \$'000	Adjustment on adoption of AASB 16 \$'000	1 July 2019 \$'000	Transactions during the year \$'000
<b>Assets</b>				
Right of use assets	-	880	880	(158)
<b>Total assets</b>	<b>133,072</b>	<b>880</b>	<b>133,952</b>	<b>(158)</b>
<b>Liabilities</b>				
Other financial liabilities	49,490	1,029	50,519	(162)
<b>Total liabilities</b>	<b>51,590</b>	<b>1,029</b>	<b>52,619</b>	<b>(162)</b>
<b>Net assets</b>	<b>81,482</b>	<b>(149)</b>	<b>81,333</b>	<b>4</b>
<b>Equity</b>				
Share capital	94,352	-	94,352	-
Accumulated losses	(12,870)	(149)	(13,019)	4
<b>Total equity</b>	<b>81,482</b>	<b>(149)</b>	<b>81,333</b>	<b>4</b>

#### Impact on Statement of Profit and Loss and Other Comprehensive Income

Lease expense <sup>1</sup>	-	-	-	(268)
Depreciation expense	-	-	-	216
Interest expense	-	-	-	48
<b>Net profit before and after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>

#### Impact on Consolidated Statement of Cashflows

Cashflows from operating activities	-	-	-	220
Cashflows from financing activities	-	-	-	(220)
<b>Net cashflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Lease expense is an unaudited non-IFRS measure and is the expense that would have been recognised under AASB117 if AASB16 had not been applied.



# Directors' Report

## 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 33.

## DIVIDENDS

Dividends paid during the year were as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Final dividend for 2019: 1.0 cent per share (2018: nil)	2,300	-
Interim dividend for 2020: 0.55 cents per share (2019: nil)	1,265	-
Total dividends paid	3,565	-

A final dividend of 0.55 cents per share, amounting to \$1.27 million, was declared at the date of signing these financial statements and is payable on 25 September 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the 2021 financial year, Eureka is committed to:

- 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 an expansion of the Group's village in Wynnum, 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;
- Recycling of capital through the divestment of the Group's non-core assets.

## MATERIAL BUSINESS RISKS

The Board is committed to monitoring and mitigating business risks faced by the Group, including the following key risks that have the potential to materially impact its financial prospects:

- Covid-19 - during the second half of the year, the Board has overseen the Group's response to the COVID-19 pandemic. The health, safety and wellbeing of Eureka's staff, residents and families and the local communities in which it operates is paramount to the Company. The Group acknowledges that many of its residents have a higher risk of serious illness if they were to contract Covid-19, due to their age and propensity for underlying health issues. The Group has implemented a range of best practice and preventative measures as recommended by the relevant authorities to protect the health and well-being of all concerned and to minimise the risk of infection and transmission amongst residents and staff. The independent-living nature of the accommodation in Eureka's villages means that residents are able to self-isolate readily and effectively to minimise the risk of viral transmission. Further, having a village network that is geographically widespread through predominantly regional centres of Australia means there are no village clusters, mitigating the risk of Covid-19 spreading from one village to another. The Group continues to closely monitor information and recommendations in relation to Covid-19.
- Acquisition risk – acquiring villages has and will continue to be a source of growth for the Group. Identifying properties that meet the Group's target performance hurdle rate and sit within the risk appetite set by the Board is critical to the Group's performance. The Group's Board and management is experienced in acquiring properties and conducts comprehensive analysis and due diligence as part of its acquisition process.
- Changes in Government funding (pension, rent assistance and National Disability Insurance Scheme (NDIS)) – the Group provides affordable rental accommodation predominantly to seniors and many of the villages' residents are reliant on government funding in the form of pensions or rent assistance and NDIS. An adverse change in government funding,

# Directors' Report

may have a direct impact on village occupancy, profitability and asset values. The Group manages its village and support office costs having regard to occupancy levels.

- Demand for non-core products and assets under review – the Group has exposure to non-core investments at Terranora NSW (property) and Couran Cove Qld (loans) and various other assets under review (property & management rights). The Group's successful exit from these investments is dependent on sales occurring at forecast values within an acceptable timeframe.

## SUBSEQUENT EVENTS

Details of events that occurred after the end of the financial year are contained in Note 33.

## ENVIRONMENTAL REGULATION

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

## INFORMATION ON DIRECTORS

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

Name:	<b>Murray Boyte</b>
Title:	Executive Chairman
Qualifications:	BCA, MAICD, CMInstD, CA Murray holds a Bachelor of Commerce and Administration from the Victoria University in Wellington and is a member of the Australian Institute of Company Directors, the Institute of Directors of New Zealand and Chartered Accountants Australia & New Zealand.
Experience & expertise:	Murray has over 35 years' experience in merchant banking and finance, undertaking company reconstructions, mergers and acquisitions in Australia, New Zealand, North America and Hong Kong. In addition, Murray has held executive positions and Directorships in the transport, horticulture, financial services, investment, health services and property industries. He was the Chief Executive Officer of ASX listed Ariadne Australia Limited from 2002 to 2015.
Other listed company directorships:	Abano Healthcare Group Limited (NZX), National Tyre & Wheel Limited (ASX: NTD) and Hillgrove Resources Ltd (ASX: HGO).
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of the Board, Member of the Audit & Risk Committee, Member of the Nomination & Remuneration Committee.
Interests in shares:	250,000
Interests in options:	Nil
Name:	<b>Sue Renkin</b>
Title:	Non-Executive Director
Qualifications:	RN, MBA, FCDA, GradDip Corp Gov, MAICD Sue holds a Master of Business Administration from Monash University, a Graduate Diploma in Corporate Governance from UNE and attended Harvard Business School for a course on Competition and Strategy.
Experience & expertise:	Sue enjoyed almost thirty years as CEO for private hospitals, emergency services and not for profit entities. She now operates a portfolio career as a non-executive director and executive coach and mentor. Sue is Chair of Executive Growth, a Director of GMHBA Health Insurance, a Director of the National Imaging Facility's Governing Board, Chair of the South Eastern Melbourne Primary Health Network and a strategic advisor to McKenzie Aged Care Group. She is also a previous Telstra Business Woman of the year.
Other listed company directorships:	Nil
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of the Nomination & Remuneration Committee, Member of the Audit & Risk Committee until 14 August 2020.
Interests in shares:	Nil
Interests in options:	Nil

# Directors' Report

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Name:	<b>Russell Banham</b>
Title:	Non-Executive Director
Qualifications:	B. Com, GAICD, FCA Russell has a Bachelor of Commerce degree, is a Graduate Member of the Australian Institute of Company Directors and is a fellow of the Institute of Chartered Accountants Australia and New Zealand.
Experience & expertise:	Russell is an experienced company director with a demonstrated history of working in various industries including mining & metals, property development and management, manufacturing and gaming and hospitality. He is skilled in financial management, risk management and corporate governance. He was an audit partner and had functional leadership responsibilities at Deloitte, Ernst & Young and Andersen. Russell currently serves as an independent non-executive director of HKSE listed MGM China Holdings Limited, LSE listed National Atomic Company Kazatomprom and Wiggins Island Coal Export Terminal Pty Ltd. He is also a member of the Audit and Risk Management Committee of the Queensland Audit Office.
Other listed company directorships:	MGM China Holdings Limited (HKSE); National Atomic Company Kazatomprom (LSE and AIX)
Former directorships (last 3 years)	Nil
Special responsibilities:	Chair of Audit & Risk Committee, Member of the Nomination & Remuneration Committee (appointed 1 January 2020).
Interests in shares:	Nil
Interests in options:	Nil

Name:	<b>Greg Paramor AO</b>
Title:	Non-Executive Director (appointed 19 June 2020)
Qualifications:	FAPI, FAICD, FRICS
Experience & expertise:	Greg has extensive property expertise with more than 40 years' experience in the real estate and fund management industry. He was the co-founder of Growth Equities Mutual, Paladin Australia and the James Fielding Group. He was the CEO of Mirvac Group between 2004 and 2008 before becoming the Managing Director of Folkestone Limited, a specialist property funds management group. Greg is currently a non-executive director of ASX-listed Charter Hall Group, a board member of the Sydney Swans, the Chair of BackTrack Youth Works, a Trustee of The Nature Conservancy (Australia) and a board member of the Garvan Research Foundation. He was awarded an Officer in the General Division (AO) of the Order of Australia in January 2015.
Other listed company directorships:	Charter Hall Group Ltd (ASX: CHC).
Former directorships (last 3 years)	Folkestone Limited
Special responsibilities:	Member of Audit & Risk Committee (appointed 14 July 2020)
Interests in shares:	4,700,000
Interests in options:	Nil

Name:	<b>Lachlan McIntosh</b>
Title:	Non-Executive Director (resigned 31 December 2019)
Qualifications:	B Com, CA Lachlan has a Bachelor of Commerce degree and is a Member of Chartered Accountants Australia and New Zealand.
Experience & expertise:	Lachlan specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industry along with significant experience in the franchising industries and mining services industries.
Other listed company directorships:	Nil
Former directorships (last 3 years)	Onterran Limited (ASX: OTR).
Special responsibilities:	Member of the Audit & Risk Committee (until 31 December 2019), Member of the Nomination & Remuneration Committee (until 31 December 2019).
Interests in shares:	Nil
Interests in options:	Nil

# Directors' Report

## COMPANY SECRETARY

Laura Fanning, B. Bus, CA, GradDip Corp Gov

Laura is a Chartered Secretary and Chartered Accountant with more than 20 years' financial, governance and commercial experience. Laura is currently the Company Secretary at National Tyre & Wheel Limited and has previously held Chief Financial Officer and Company Secretary roles at National Veterinary Care Limited and Unity Pacific Group Limited, as well as senior management positions in other listed and unlisted companies. She has gained broad financial and secretarial experience across several industries including funds management, property, veterinary services, wholesale distribution and franchising.

## DIRECTORS AND MEETINGS ATTENDED

The number of meetings of the Company's Board of Directors ('the Board') and of each Board Committee held during the year, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
Murray Boyte	17	17	9	9	4	4
Sue Renkin	17	17	9	9	4	4
Russell Banham	17	17	9	9	4*	4*
Greg Paramor	1	1	-	-	-	-
Lachlan McIntosh	6	2	4	4	2	1

<sup>1</sup> Number of meetings held while a director during the financial year

\* Attended 2 by invitation only

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Eureka's non-executive directors, executive directors and other key management personnel ("KMP") for the year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

- Principles of compensation of key management personnel
- Details of remuneration
- Non-executive director remuneration policy
- Service agreements
- Relationship between remuneration policy and Company performance
- Remuneration consultants
- Equity Instruments held by Key Management Personnel
- Loans to/from Key Management Personnel
- Other transactions with Key Management Personnel

### (a) PRINCIPLES OF COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

# Directors' Report

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The Nomination & Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Group's directors and executives and making recommendations to the Board for consideration and approval. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board considers that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

## Executive remuneration

The Group aims to reward executives based on their position and responsibilities, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration for the Executive Chairman was determined by the Nomination & Remuneration Committee, having regard to the additional responsibilities required in his executive capacity. It comprises fixed remuneration only.

For other executives, the remuneration framework includes the following components:

- Fixed remuneration – comprising base salary, superannuation contributions and other benefits, having regard to comparable market benchmarks. Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive;
- STI program – an 'at risk' component of remuneration where, if individual and Group performance measures are met, senior executives will be awarded cash bonuses equal to a percentage of their fixed remuneration. Performance measures include financial and non-financial KPIs and, commencing from the year ending 30 June 2021, include a financial gateway hurdle. The percentage of fixed remuneration received as an STI will be capped, but may vary, between individuals and depending on the level of performance achieved. 100% of the STI is paid as cash; and
- LTI program – an 'at risk' component of remuneration for senior executives where 100% is awarded as equity instruments (e.g. options and share rights) which are subject to certain performance and service conditions. The number of equity instruments to be awarded will be determined by the Board having regard to the overall amount of executive remuneration.

The combination of these comprises the executives' total remuneration. The Board believes that this remuneration framework ensures that remuneration outcomes link to company performance and the long-term interests of shareholders.

All executives have detailed job descriptions with identified key performance indicators against which annual reviews are undertaken.

## Short term incentives (STIs)

Senior executives' entitlement to an STI is based upon achievement of agreed performance objectives including:

- Financial performance
- Operational performance
- Strategic and innovative initiatives
- Workplace health and safety
- Risk mitigation and management.

Actual performance criteria may vary between executives, having regard to their roles and responsibilities.

# Directors' Report

The Board applies the following general principles when determining and measuring performance targets and any STI incentive:

STI Pool	The size of the STI pool is determined by the Board, upon advice from the Nomination & Remuneration Committee, having regard to individual employment contracts. In consultation with the Nomination & Remuneration Committee, the Board assesses the Group's financial performance and the performance of KMP against agreed performance objectives.	
Structure	60% of the STI to be linked to the achievement of budgeted EBITDA <sup>1</sup> from core operations financial hurdles; and 40% of the STI to be linked to the achievement of non-financial performance objectives in the categories noted above.	
Performance targets	For the proportion of the STI linked to financial performance, entitlement is based on the following tiers:	
	<b>Entitlement</b>	<b>Financial hurdle</b>
	75% of the financial portion	Achievement of budgeted EBITDA from core operations
	90% of the financial portion	Budget exceeded between 5% and 15%
	100% of the financial portion	Budget exceeded by at least 15%
	The Board retains discretion in relation to the impact that non-recurring or unusual items may have on achievement of the STIs.	
Financial gateway	Achievement of budgeted EBITDA from core operations (introduced from the year ending 30 June 2021)	

<sup>1</sup> Refer to page 1 for further explanation on calculation of EBITDA.

During the year, 79% of the total STI pool available for KMP was awarded, including 90% of the financial portion based on the budgeted EBITDA from core operations being exceeded by between 5% and 15%. Across the Group, 85% of the total STI pool was awarded.

The actual amount received by executives, as a result of achieving the above financial hurdle and any non-financial KPIs, are listed in the remuneration tables below.

## Long term incentives (LTIs)

Equity instruments may be granted under the Omnibus Equity Plan (OEP) which was adopted on 23 November 2017. Each equity instrument entitles the participant to subscribe for one ordinary share in the Company. The specific terms of a grant are set out in an offer from the Company to the executive which contains details of the application price (if any), the expiry date, the exercise price, the vesting date, any applicable performance conditions and other specific terms.

## Share rights

During the year, 429,362 share rights were issued to the Chief Operating Officer pursuant to the OEP on the following specific key terms:

- The Vesting Date of the share rights is 30 September 2022, subject to meeting the following performance and service conditions;
- Performance condition – total shareholder return (TSR) compound annual growth rate (CAGR) hurdle, to be tested on the Vesting Date:

TSR CAGR <sup>1</sup>	% of Rights to vest
Less than 7% per annum	0%
At least 7% but less than 10%	50%
At least 10% but less than 15%	70% to 100% on a straight-line basis
At least 15%	100%

<sup>1</sup> TSR CAGR is an unaudited non-IFRS measure.

- Service condition – the employee must remain employed by the Group from the Grant Date until the Last Vesting Date.

# Directors' Report

- TSR includes share price appreciation, capital returns and dividends. Share price appreciation is determined as being the difference between the base VWAP of 28.88 cents (being the volume weighted average price of shares over the 5 trading days immediately after the release of Eureka's results for the year ended 30 June 2019 on 31 August 2019) and vesting VWAP (the volume weighted average price of shares over the 5 trading days immediately after the release of Eureka's results for the year ended 30 June 2022).
- Exercise price - \$nil

The last day on which the share rights may be exercised is 30 September 2024, at which time the rights expire and lapse.

At 30 June 2020 there were 429,362 share rights outstanding (2019: Nil).

## (b) DETAILS OF REMUNERATION

The names of persons who were key management personnel of Eureka at any time during the financial year are shown in the following table. At the date of this report and during the year, the key management personnel of the Group are:

Name	Role	Period in role
<b>Directors</b>		
Murray Boyte	Executive Chair	24 November 2017 – ongoing
Sue Renkin	Non-Executive Director	24 November 2017 – ongoing
Russell Banham	Non-Executive Director	21 November 2018 – ongoing
Greg Paramor	Non-Executive Director	19 June 2020 – ongoing
Lachlan McIntosh	Non-Executive Director	20 July 2009 – 31 December 2019
<b>Executives</b>		
Cameron Taylor	Chief Operating Officer	18 March 2019 – ongoing
Tracey Campion	Chief Financial Officer	21 January 2019 – ongoing

Details of the remuneration of the Group's key management personnel for the years ended 30 June 2020 and 30 June 2019 are set out in the following tables:

	Short term			Post employment				
	Salary/fees	Bonus	Non-monetary	Super-annuation	Share based payments	Termination benefits	Total	% of LTI that was achieved
	\$	\$	\$	\$	\$	\$	\$	
<b>30 June 2020</b>								
<b>Directors</b>								
Murray Boyte <sup>1</sup>	314,997	-	-	21,003	-	-	336,000	-
Sue Renkin	67,123	-	-	6,377	-	-	73,500	-
Russell Banham	68,493	-	-	6,507	-	-	75,000	-
Greg Paramor <sup>2</sup>	1,967	-	-	187	-	-	2,154	-
Lachlan McIntosh <sup>2</sup>	35,000	-	-	-	-	-	35,000	-
Directors Total	487,580	-	-	34,074	-	-	521,654	
<b>Executives</b>								
Tracey Campion	217,405	21,699	1,436	22,579	-	-	263,119	-
Cameron Taylor	309,403	71,454	1,436	29,729	4,775	-	416,797	100
Executives Total	526,808	93,153	2,872	52,308	4,775	-	679,916	
Total	1,014,388	93,153	2,872	86,382	4,775	-	1,201,570	

<sup>1</sup> Murray Boyte's remuneration includes his chairman's fee of \$120,000 per annum and an additional \$216,000 per annum for the period he is Executive Chair.

<sup>2</sup> Key management personnel for part of the year only.

<sup>3</sup> Disclosure in remuneration includes executive's annual remuneration as per their service agreement as well as accrued leave entitlements. The STIs will be paid subsequent to year-end.

# Directors' Report

	Short term			Post employment				
	Salary/fees	Bonus	Non-monetary	Super-annuation	Share based payments	Termination benefits	Total	% of LTI that was achieved
	\$	\$	\$	\$	\$	\$	\$	
<b>30 June 2019</b>								
<b>Directors</b>								
Murray Boyte <sup>1</sup>	324,082	-	-	20,531	-	-	344,613	-
Sue Renkin	59,361	-	-	5,639	-	-	65,000	-
Lachlan McIntosh	65,000	-	-	-	-	-	65,000	-
Russell Banham <sup>2</sup>	36,600	-	-	3,477	-	-	40,077	-
Nirmal Hansra <sup>2</sup>	25,000	-	-	-	-	-	25,000	-
Directors Total	510,043	-	-	29,647	-	-	539,690	
<b>Executives</b>								
Tracey Campion <sup>2</sup>	91,540	-	-	8,075	-	-	99,615	-
Cameron Taylor <sup>2</sup>	82,768	-	-	6,084	-	-	88,852	-
Paul Cochrane <sup>2</sup>	139,452	-	-	13,062	(11,967)	-	140,547	-
Executives Total	313,760	-	-	27,221	(11,967)	-	329,014	
Total	823,803	-	-	56,868	(11,967)	-	868,704	

<sup>1</sup> Murray Boyte's remuneration includes his chairman's fee of \$120,000 per annum and an additional \$216,000 per annum for the period he is Executive Chair.

<sup>2</sup> Key management personnel for part of the year only.

<sup>3</sup> Disclosure in remuneration includes executive's annual remuneration as per their service agreement as well as accrued leave entitlements.

The proportion of remuneration linked to performance and the fixed proportion (at maximum performance levels) are as follows:

	Fixed remuneration		At Risk - STI		At Risk - LTI	
	2020	2019	2020	2019	2020	2019
<b>Directors</b>						
Murray Boyte	100%	100%	-	-	-	-
Sue Renkin	100%	100%	-	-	-	-
Russell Banham	100%	100%	-	-	-	-
Greg Paramor	100%	-	-	-	-	-
Lachlan McIntosh	100%	100%	-	-	-	-
<b>Executives</b>						
Tracey Campion	83%	-	17%	-	-	-
Cameron Taylor	60%	-	16%	-	24%	-

The proportion of cash bonus paid/payable or forfeited:

	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<b>Executives</b>				
Tracey Campion	54%	-	46%	-
Cameron Taylor	92%	-	8%	-



# Directors' Report

## (c) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$450,000 in aggregate which provides the Board with flexibility to appoint additional directors to broaden the skill base of the Board collectively.

The table below summarises Board and Committee fees payable to non-executive directors (inclusive of superannuation):

<b>Board fees</b>	
Chair	\$120,000
Non-executive director	\$70,000
<b>Committee fees payable to Chair of Committees (from 1 January 2020)</b>	
Audit and Risk	\$10,000
Remuneration and Nomination	\$7,000
Annualised Board and Committee fees as at 30 June 2020	\$347,000

Other than the introduction of Committee Chair fees from 1 January 2020, there was no increase in non-executive fees during the year.

Directors may also be reimbursed for travelling and other expenses incurred in connection with their Company duties.

## (d) SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director. In addition, the Executive Chair has received written confirmation of additional remuneration of \$18,000 per month (\$216,000 per year) for the additional responsibility and time required to fulfil the executive chairman role, payable during his time in this role. Remuneration and other terms of employment for the Chief Operating Officer, Chief Financial Officer and other key management personnel are formalised in service agreements.

The details of these agreements for executive key management personnel are as follows. There was no change to the agreements during the year, other than the award of share rights as noted below:

**Cameron Taylor** (Chief Operating Officer)  
Agreement commenced 18 March 2019

### *Term of the Agreement:*

The agreement has no fixed term and may be terminated by either the Company or Mr Taylor with 2 months' notice or without notice by the Company in the event of a material breach or misconduct by Mr Taylor.

### *Details:*

Mr Taylor's remuneration comprises a base salary of \$285,000 (inclusive of 9.5% superannuation), additional car allowance of \$25,000 and certain benefits such as car parking, mobile phone expenses and use of laptop. His remuneration also comprises additional short-term incentives of up to 30% of his base salary and long term incentives in the form of share rights. During the year, the Board determined to award Mr Taylor share rights based on 40% of his base salary and car allowance. Mr Taylor is responsible for management of the Group's operations and reports to the Executive Chairman.

**Tracey Campion** (Chief Financial Officer)  
Agreement commenced 21 January 2019

### *Term of the Agreement:*

The agreement has no fixed term and may be terminated by either the Company or Ms Campion with 2 months' notice or without notice by the Company in the event of a material breach or misconduct by Ms Campion.

### *Details:*

Ms Campion's remuneration comprises a base salary of \$220,000 (inclusive of 9.5% superannuation) and certain benefits such as car parking, mobile phone expenses and use of laptop. Her remuneration also comprises additional short-term incentives of up to 20% of her base salary. Her entitlement to long term incentives is currently being considered by the Board. Ms Campion is responsible for the accounting and finance functions of the Company and its associated companies. Ms Campion reports to the Chief Operating Officer.

# Directors' Report

## (e) RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The Group's current remuneration policy provides executives with a base level of remuneration as well as 'at-risk' components that are aligned with shareholder returns. The STI program is weighted towards EBITDA<sup>1</sup> and therefore earnings per share. The LTI program is weighted towards total shareholder returns.

The following table shows key metrics for the past 5 years of the Company. The improvement in earnings per share, share price and total shareholder return from 2018 to 2020 are reflective of the changes made to the previous remuneration framework and includes the effectiveness of the current policy.

	2020	2019	2018	2017	2016
Total revenue and other income (\$'000)	26,068	23,394	23,212	25,427	20,114
Net Profit/(loss) after tax (\$'000)	8,095	6,794	(276)	6,538	10,467
EBITDA <sup>1</sup> from core operations (\$'000)	8,700	7,832	6,942	5,931	- <sup>2</sup>
Earnings per share (cents per share)	3.52	2.95	(0.12)	2.84	5.19
Share price at year end (\$)	0.325	0.26	0.28	0.37	0.79
Dividend per share (cents per share)	1.55	0.00	0.00	0.00	0.00
Total shareholder return (% of share price at start of year)	31.0	(7.1)	(24.3)	(53.2)	54.9
KMP remuneration (\$'000)	1,202	868	1,445	1,042	1,040
KMP remuneration as a % of total revenue and income	4.61	3.71	6.23	4.10	5.17

<sup>1</sup> EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure however, the Directors believe that it is a readily calculated measure that has broad acceptance and is used by regular users of published financial statements as proxy for overall operating performance. EBITDA from core operations has been calculated from amounts disclosed in the financial statements and is explained in the Directors' report for the year and prior year.

<sup>2</sup> EBITDA from core operations was not a reported measure in 2016. To enable some comparison, EBITDA prior to asset revaluations was \$7.29 million.

## (f) REMUNERATION CONSULTANTS

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

## (g) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

### Shares held

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

KMP	Balance 1 July 2019	Acquired during the year	Disposed during the year	Other changes during the year	Balance 30 June 2020
<b>Directors</b>					
Murray Boyte	250,000	-	-	-	250,000
Sue Renkin	-	-	-	-	-
Russell Banham	-	-	-	-	-
Greg Paramor	-	-	-	4,700,000 <sup>1</sup>	4,700,000
Lachlan McIntosh	6,700,138	-	(6,700,138)	-	-
<b>Executives</b>					
Cameron Taylor	-	-	-	-	-
Tracey Campion	-	-	-	-	-
<b>Total</b>	<b>6,950,138</b>	<b>-</b>	<b>(6,700,138)</b>	<b>4,700,000</b>	<b>4,950,000</b>

<sup>1</sup> Represents an interest in shares held at the time of appointment as a director.

# Directors' Report

## Share rights held

Details of share rights over ordinary shares in the Company, that were granted as compensation to key management personnel during the reporting period, are set out below.

The Black-Scholes methodology was used for the valuation of the share rights.

KMP	Number of share rights granted during 2020	Grant date	FV at grant date per share right	Exercise price per share right	Value of share rights granted in the year	Expiry date
Cameron Taylor	429,362	27-May-20	\$0.28	-	\$120,221	30-Sep-24

The Vesting Date of the share rights is 30 September 2022, subject to meeting the performance and service conditions.

## Options held

There were no options granted as compensation to key management personnel during the year.

## Reconciliation of share rights held by key management personnel

The table below shows how many share rights were granted, vested and forfeited during the year.

KMP	Balance at start of year	Granted during year	Vested	Forfeited	Balance at end of year (unvested)
Cameron Taylor	-	429,362	-	-	429,362

## (h) LOANS TO/FROM KEY MANAGEMENT PERSONNEL

The McIntosh loan, a loan assumed by Mr McIntosh in his personal capacity in August 2018, was repaid in full during the year. Interest accrued on the loan at an average rate of 8.14% per annum resulting in an interest charge of \$0.01 million (2019: \$0.02 million) and repayments of \$0.32 million (2019: \$0.06 million) were received during the year. As at 30 June 2020 the balance outstanding was \$nil (2019: \$0.31 million).

The West Cabin Loan is a loan secured by a real property mortgage over two cabins at Couran Cove, Qld, for which Mr McIntosh is a guarantor in his personal capacity. This loan for \$0.32 million remains unpaid as at 30 June 2020 (2019: \$0.32 million), but is no longer considered a related party transaction as Mr McIntosh resigned and ceased to be a related party on 31 December 2019.

Further details about these loans are contained in Note 8.

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

## (i) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

As noted above, Mr McIntosh ceased to be a related party on 31 December 2019. Amounts disclosed below are for transactions that occurred while he was a director and a related party.

### Griffith Scenic Village Pty Ltd

Griffith Scenic Village Pty Ltd, an entity associated with Mr McIntosh, paid the Group management fees of \$3,301 on commercial terms (2019: \$7,038). As at 30 June 2020 the amount outstanding from Griffith Scenic Village Pty Ltd was \$nil (2019: \$nil).

Griffith Scenic Village Pty Ltd, an entity associated with Mr McIntosh, was paid \$11,089 for a manager's unit rental fees on commercial terms (2019: \$22,178). As at 30 June 2020 the amount outstanding to Griffith Scenic Village Pty Ltd, as a related party transaction, was \$nil (2019: \$nil).

During the year, the Group recognised lease liabilities associated with a right of use asset provided by Griffith Scenic Village Pty Ltd. The lease liabilities outstanding at 30 June 2020 are no longer considered to be liabilities to a related party (2019: \$nil).

# Directors' Report

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## **Leisure Living Gladstone Pty Ltd**

Leisure Living Gladstone Pty Ltd, an entity associated with Mr McIntosh, paid the Group management fees of \$9,625 on commercial terms (2019: \$16,411). As at 30 June 2020 the amount outstanding from Leisure Living Gladstone Pty Ltd was \$nil (2019: \$nil).

Leisure Living Gladstone Pty Ltd, an entity associated with Mr McIntosh, was paid \$14,615 for a manager's unit rental fees on commercial terms (2019: \$29,229). As at 30 June 2020 the amount outstanding to Leisure Living Gladstone Pty Ltd, as a related party transaction, was \$nil (2019: \$nil).

During the year, the Group recognised lease liabilities associated with a right of use asset provided by Leisure Living Gladstone Pty Ltd. The lease liabilities outstanding at 30 June 2020 are no longer considered to be liabilities to a related party (2019: \$nil).

## **22 Resolution Pty Ltd**

22 Resolution Pty Ltd, an entity associated with Mr McIntosh, earned \$50,000 in consulting fees (2019: \$33,000). At 30 June 2020, the amount outstanding to Mr McIntosh was \$nil (2019: \$33,000).

## **Other**

The Group divested its investment in a property located in Bowen, Qld for \$1.53 million. The property was sold at market value, based upon an independent external valuation, to an entity related to Mr McIntosh.

***This concludes the remuneration report, which has been audited.***

## **SHARES UNDER OPTION & SHARE RIGHTS**

There were 429,362 share rights on issue as at the date of this report.

## **INDEMNIFICATION AND INSURANCE OF OFFICERS**

During or since the end of the financial year, the Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## **INDEMNIFICATION AND INSURANCE OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## **NON-AUDIT SERVICES**

Ernst & Young were engaged to review and advise the Group on GST and tax related matters during the year. Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out in Note 31.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 31 do not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

# Directors' Report

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## OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG

No officers of the Company were partners of Ernst & Young at the time they undertook the audit of the Company.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191<sup>1</sup> Class issued by the Australian Securities and Investment 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 auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 72.

## AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



**Murray Boyte**  
Executive Chair

Dated in Brisbane this 21st day of August 2020.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Rental income	3	16,874	15,847
Catering income	3	4,223	4,257
Service and caretaking fees	3	3,712	3,132
<b>Total revenue</b>		<b>24,809</b>	<b>23,236</b>
Finance income		36	57
Other income	3	1,223	101
<b>Total revenue and other income</b>		<b>26,068</b>	<b>23,394</b>
Property expenses		(11,705)	(11,780)
Employee expenses	4	(3,027)	(2,327)
Finance costs	4	(2,508)	(2,766)
Marketing expenses		(95)	(187)
Depreciation & amortisation	4	(591)	(225)
Other expenses		(1,758)	(1,980)
<b>Total operating expenses</b>		<b>(19,684)</b>	<b>(19,265)</b>
Share of profit of a joint venture	12	1,980	712
Net gain/(loss) on change in fair value of:			
Investment property	13	1,383	2,253
Other assets		(53)	(300)
Impairment of:			
Intangibles		(80)	-
Other assets	9	(539)	-
<b>Total other items</b>		<b>2,691</b>	<b>2,665</b>
<b>Profit before income tax expense</b>		<b>9,075</b>	<b>6,794</b>
Income tax expense	5	(980)	-
<b>Profit after income tax expense</b>		<b>8,095</b>	<b>6,794</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>8,095</b>	<b>6,794</b>
Basic earnings per share (cents per share)	26	3.52	2.95
Diluted earnings per share (cents per share)	26	3.52	2.95

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes. The Directors note that the 30 June 2020 results include the impact of accounting for AASB 16 Leases, whilst the 30 June 2019 results were prepared under the previous lease accounting standard requirements; refer to notes 2 and 15 for further explanations.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

		30 June 2020 \$'000	30 June 2019 \$'000
	<b>Note</b>		
<b>Current Assets</b>			
Cash and cash equivalents	22	2,451	3,060
Trade and other receivables	6	316	391
Inventory	7	3,778	9,215
Loans receivable	8	396	698
Other assets	9	750	1,464
		<u>7,691</u>	<u>14,828</u>
Non-current assets held for sale	10	483	519
<b>Total current assets</b>		<u>8,174</u>	<u>15,347</u>
<b>Non-Current Assets</b>			
Inventory	7	1,102	-
Loans receivable	8	353	414
Joint Venture Investment	12	5,955	4,661
Investment property	13	121,443	105,406
Property, plant and equipment	14	594	659
Right of use assets	15	722	-
Intangible assets	16	4,177	5,348
Other assets	9	2,685	1,237
<b>Total non-current assets</b>		<u>137,031</u>	<u>117,725</u>
<b>Total Assets</b>		<u>145,205</u>	<u>133,072</u>
<b>Current Liabilities</b>			
Trade and other payables	17	2,125	1,672
Provisions	18	523	416
Other financial liabilities	19	752	2,372
<b>Total current liabilities</b>		<u>3,400</u>	<u>4,460</u>
<b>Non-current liabilities</b>			
Provisions	18	73	12
Other financial liabilities	19	54,884	47,118
Deferred tax liability	5	980	-
<b>Total non-current liabilities</b>		<u>55,937</u>	<u>47,130</u>
<b>Total Liabilities</b>		<u>59,337</u>	<u>51,590</u>
<b>Net Assets</b>		<u>85,868</u>	<u>81,482</u>
<b>Equity</b>			
Share capital	20	94,352	94,352
Equity reserve	20	5	-
Accumulated losses		(8,489)	(12,870)
<b>Total Equity</b>		<u>85,868</u>	<u>81,482</u>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes. The Directors note that the 30 June 2020 results include the impact of accounting for AASB 16 Leases, whilst the 30 June 2019 results were prepared under the previous lease accounting standard requirements; refer to notes 2 and 15 for further explanations.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		25,783	23,925
Payments to suppliers & employees		(15,884)	(17,150)
Interest received		43	3
Interest paid		(2,328)	(2,033)
Net cash provided by Operating Activities	22(b)	7,614	4,745
<b>Cash Flows from Investing Activities</b>			
Payments for additions to investment property		(16,585)	(1,589)
Payments for additions to inventory		(407)	(1,270)
Payments for property, plant & equipment		(17)	(61)
Payments for intangible assets		(12)	-
Payments made to sell inventory		(462)	-
Payments made to sell non-current assets held for sale		(27)	-
Payment of residential obligation loans		(99)	-
Proceeds from sale of inventory	7	5,738	2,550
Proceeds from sale of investment properties		1,525	-
Proceeds from the sale of intangible assets		-	606
Proceeds from the sale of property, plant & equipment		-	4
Proceeds from repayments of loans provided		208	1,660
Proceeds from sale on non-current assets held for sale		540	1,100
Net cash provided by/(used) in Investing Activities		(9,598)	3,000
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		15,500	-
Repayment of borrowings		(10,263)	(6,605)
Payment of dividends		(3,565)	-
Principal portion of lease payments		(209)	-
Payments of transaction costs related to borrowings		(88)	(66)
Net cash provided by/(used in) Financing Activities		1,375	(6,671)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(609)	1,074
Cash and cash equivalents at the beginning of the financial year		3,060	1,986
<b>Cash and cash equivalents at the end of the financial year</b>	22(a)	2,451	3,060

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes. The Directors note that the 30 June 2020 results include the impact of accounting for AASB 16 Leases, whilst the 30 June 2019 results were prepared under the previous lease accounting standard requirements; refer to notes 2 and 15 for further explanations.



# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital \$'000	Accumulated Losses \$'000	Equity Reserves \$'000	Total \$'000
<b>For the year ended 30 June 2020</b>					
Balance at 1 July 2019		94,352	(12,870)	-	81,482
Opening adjustment on adoption of AASB 16 Leases		-	(149)	-	(149)
Balance at 1 July 2019 (Restated)		94,352	(13,019)	-	81,333
Profit for the year		-	8,095	-	8,095
<b>Total comprehensive income for the year</b>		-	(4,924)	-	89,428
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	21	-	(3,565)	-	(3,565)
Share based payments	20	-	-	5	5
<b>Balance at 30 June 2020</b>		94,352	(8,489)	5	85,868
<b>For the year ended 30 June 2019</b>					
Balance at 1 July 2018		94,352	(19,664)	12	74,700
Profit for the year		-	6,794	-	6,794
<b>Total comprehensive income for the year</b>		-	6,794	-	6,794
<i>Transactions with owners in their capacity as owners:</i>					
Cancellation of share rights and options		-	-	(12)	(12)
<b>Balance at 30 June 2019</b>		94,352	(12,870)	-	81,482

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. The Directors note that the 30 June 2020 results include the impact of accounting for AASB 16 Leases, whilst the 30 June 2019 results were prepared under the previous lease accounting standard requirements; refer to notes 2 and 15 for further explanations.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 1. INTRODUCTION

The financial statements cover Eureka Group Holdings Limited and its subsidiaries ("Eureka", the "Group" or the "Consolidated Entity") for the year ended 30 June 2020. Eureka Group Holdings Limited is a company incorporated and domiciled in Australia. Eureka is a for-profit entity for the purposes of preparing the financial statements.

The Group's operations and principal activities comprise ownership and property management of senior independent living communities.

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

The registered office of the company is Suite 2D, 7 Short St, Southport QLD 4215.

The financial report was authorised for issue on 21 August 2020 by the Directors.

## 2. SUMMARY OF ACCOUNTING POLICIES

### BASIS OF PREPARATION

The principal accounting policies adopted by the Group, comprising the parent entity Eureka Group Holdings Limited and its subsidiaries, are stated in order to assist in the general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

#### *Compliance with IFRS*

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

#### *New, revised and amended Accounting Standards adopted by the Group*

The Group applied AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Other new accounting standards, amendments to accounting standards, and interpretations have been published that are not mandatory for the current reporting period and are not expected to have a material impact on the Group's future financial reporting.

#### **AASB 16 Leases**

The new standard is effective for annual periods beginning on or after 1 January 2019. Details of the impact of this adoption on the Group's consolidated financial statements are described below.

The Group has adopted AASB 16 using the modified retrospective approach whereby the Group has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the Group has not restated comparative balances in this set of financial statements.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117 *Leases*. The standard includes two recognition exemption for leases – lease of "low-value" assets and leases with a lease term of 12 months or less.

Under AASB 16, a contract is a lease or contains a lease if the contract conveys the right to contract the use of an identified asset for a period of time in exchange for consideration. The distinction between finance and operating leases is eliminated for lessees. Both finance leases and operating leases will result in the recognition of a right-of-use asset and a corresponding lease liability on the balance sheet. The ROU assets for these leases were measured on a retrospective basis as of lease commencement date and the assets depreciated on a straight-line basis over the term of each lease. The associated liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

On transition, the Group elected to apply the following practical expedients:

- Application of a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics;
- Application of the short-term lease exemption to leases with a lease term that ends within 12 months of the date of initial application;
- Application of the low value assets exemption for assets with a value less than \$5,000;
- Excluding initial direct costs from the measurement of the ROU asset at the date of initial application; and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

## *Right of Use (ROU) assets*

The Group recognises ROU assets at the commencement date of the lease i.e. the date the underlying asset is available for use. ROU assets are initially measured at cost, comprised of the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received, any initial direct costs and any restoration costs. Subsequently the asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. ROU assets are depreciated over the shorter period of either the useful life of the underlying asset or the lease term.

## *Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised.

## *Key judgements and estimates in applying AASB 16*

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the measurement of the lease liabilities and ROU assets recognised.

The incremental borrowing rate is the estimated rate of the interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

Depreciation of ROU assets is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives being the lesser of the remaining lease term or the life of the underlying asset.

## *Sub-leases*

The Group's sub-leases continue to be classified as operating leases and expensed on a straight-line basis over the term of the lease.

## *Leases*

The Group has lease contracts for various items of equipment and property. On adoption of AASB 16, the Group recognised lease liabilities in relation to these leases which had previously been classified as 'operating leases' under the principles of AASB 117. These liabilities were measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as on 1 July 2019.

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.18%.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments disclosed as at 30 June 2019 as follows:

	<u>\$'000</u>
Operating lease commitments as at 30 June 2019	1,385
Discounted using the incremental borrowing rate	1,008
Add: other lease commitment	56
Less: low-value leases not recognised	<u>(35)</u>
Lease liabilities as at 1 July 2019 (under AASB 16)	<u>1,029</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

The associated ROU assets for leases were measured on a retrospective basis as if the AASB 16 standard had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. Consequently, lease liabilities exceeded the ROU assets' carrying amount on 1 July 2019 by \$0.15 million which has been adjusted in retained earnings on 1 July 2019.

## *Effect of adoption of AASB 16*

The following table summarises the impact on transition to AASB 16 on 1 July 2019:

	30 June 2019 \$'000	Adjustment on adoption of AASB 16 \$'000	1 July 2019 \$'000
<b>Assets</b>			
Right of use assets	-	880	880
<b>Total assets</b>	<b>133,072</b>	<b>880</b>	<b>133,952</b>
<b>Liabilities</b>			
Other financial liabilities	49,490	1,029	50,519
<b>Total liabilities</b>	<b>51,590</b>	<b>1,029</b>	<b>52,619</b>
<b>Net assets</b>	<b>81,482</b>	<b>149</b>	<b>81,333</b>
<b>Equity</b>			
Share capital	94,352	-	94,352
Retained earnings	(12,870)	(149)	(13,019)
<b>Total equity</b>	<b>81,482</b>	<b>(149)</b>	<b>81,333</b>

The application of AASB 16 has no cash effect to the Group and the changes are for financial reporting purposes only.

As a result of initially applying AASB 16, for the leases that were previously classified as operating leases, the Group recognised \$0.88 million of right of use assets and \$1.03 million of lease liabilities in the consolidated statement of financial position on 1 July 2019. The lease term and amount were modified on two of the ROU assets during the year 30 June 2020. Refer to note 15.

Each lease payment is now allocated between the liability and the finance cost. Previously, lease payments were expensed in full to the profit or loss. The finance cost is now charged over the lease period, from transition date, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the lease term, from lease commencement date, on a straight-line basis. During the year ended 30 June 2020, the Group recognised \$0.22 million of depreciation charges and \$0.05 million of interest costs from these leases.

The adoption of AASB 16 has impacted the consolidated statement of cash flows with the reclassification of the lease liability portion of the lease payments from operating to financing activities.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

## **HISTORICAL COST CONVENTION**

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

## **CONSOLIDATION**

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

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Eureka Group Holdings Limited as at 30 June 2020 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

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

## BUSINESS COMBINATIONS

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

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

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

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

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

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

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

## INCOME TAX

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

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

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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## TAX CONSOLIDATION

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

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

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

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

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

### *Nature of Tax Funding Arrangements and Tax Sharing Arrangements*

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

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

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

## CASH AND CASH EQUIVALENTS

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

## TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at original invoice amount, and subsequently adjusted for Expected Credit Loss (ECL). An ECL allowance is recognised by analysing the age of outstanding balances and applying historical default percentages. Historical loss rates are adjusted to reflect forward-looking observable data affecting the ability of customers to settle debts.

## INVESTMENT PROPERTY

Investment property comprises land and/or buildings held to earn rental income and/or for capital appreciation. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognised in profit or loss in the period in which they arise.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Transfers are made to (or from) investment property to inventory only when there is a change in use. For a transfer from investment property to inventory, the deemed cost for subsequent accounting is the fair value at the date of change in use. If inventory becomes an investment property, the Group accounts for it in accordance with the policy stated under inventory up to the date of change in use.

Transfers are made to (or from) investment property from intangibles only when there is a change in use in the underlying asset. For a transfer from investment property to intangibles, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an intangible (management rights) becomes an investment property, the Group accounts for it in accordance with the policy stated under intangibles up to the date of change in use.

It is the Group's policy to have all investment properties externally valued at intervals of not less than three years or a third of the properties each year. Internal valuations are undertaken with reference to current market conditions and available information for those investment properties not externally valued at each reporting date. It is the policy of the Group to review the fair value of each investment property at each reporting date.

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

## INVESTMENT IN 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. The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture 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 joint venture since the acquisition date. Goodwill relating to the joint venture 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 joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, 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 joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture 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 subsidiaries of the joint venture.

The financial statements of the associate or joint venture 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 its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

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

## PROPERTY PLANT & EQUIPMENT

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

Class	Rate	Method
Plant and equipment	6-33%	Straight-line or Diminishing value
Buildings	2.5%	Straight-line

# Notes to the Financial Statements

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 FOR THE YEAR ENDED 30 JUNE 2020
 

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## INTANGIBLE ASSETS

Only intangible assets that have been purchased or paid for by the Group are recognised in the accounts.

Management rights have a finite life and are carried at the lower of cost less accumulated amortisation and accumulated impairment losses and are tested annually for impairment. The management rights are amortised using the straight-line method 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.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

Other intangible assets relate to website development which is amortised using the straight-line method over 3-10 years being the estimated useful life.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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

## IMPAIRMENT OF ASSETS

### *Non-Financial Assets*

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

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

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

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

## FAIR VALUE MEASUREMENT

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



# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

## FINANCIAL ASSETS AND LIABILITIES

Current and non-current financial assets and liabilities within the scope of AASB 9 are classified as fair value through profit or loss, fair value through other comprehensive income or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method.

## NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

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

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

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

## TRADE AND OTHER PAYABLES

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

## BORROWINGS

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

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

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

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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## EMPLOYEE BENEFITS

### *Short-term Employee Benefits*

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities and are measured as the amounts expected to be paid when the liabilities are settled inclusive of on-costs. Sick leave is non-vesting and is expensed as paid.

### *Long-term Employee Benefits*

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given for expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as at the reporting date on corporate bond rates with the terms to maturity that match, as closely as possible, the estimated future cash outflows.

### *Share based payments*

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## PROVISIONS

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

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

## RETIREMENT VILLAGE RESIDENT LOANS

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

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

# Notes to the Financial Statements

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 FOR THE YEAR ENDED 30 JUNE 2020
 

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## FINANCE COSTS

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

## GOODS AND SERVICES TAX

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

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

## LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policy on Impairment of non-financial assets.

#### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Financial liabilities.

#### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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## *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## **DIVIDENDS**

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

## **CAPITAL MANAGEMENT**

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

The Group does not have any specific capital targets and nor is it subject to any external capital restrictions. The Board and senior management meet regularly and review in detail the current cash position and cash flow forecasts having regard to planned expansions and asset disposals and take the necessary action to ensure sufficient funds are available.

## **CONTRIBUTED EQUITY**

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

## **EARNINGS PER SHARE**

### *Basic Earnings Per Share*

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

### *Diluted Earnings Per Share*

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

## **USE OF JUDGEMENTS, 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 amount recognised in the financial statements are:

### *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:

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## *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 fair 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 this criteria are classified as property, plant and equipment.

## *Inventory*

Inventory consists of property being sold as part of a capital disposal program and is valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price of the inventory, less estimated costs of completion and the estimated costs necessary to make the sale.

## *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. Refer to Note 16 for further information.

## *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. This is because Eureka has materially less control over future contract renewals than it does with the strata-titled villages. Eureka considers that it has materially less control over future contract renewals in single-owner villages primarily because it does not own or have any sort of tenure in respect of the managers unit and a single vote of the owner can elect to not renew Eureka's management rights contract.

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.

## *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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## *Non-Current Amount Receivable and Associated Option over property*

Options over property are initially measured at cost. Subsequent to acquisition, options continue to be recorded at cost, however are tested for impairment on an annual basis. Impairment is tested by reference to the assessed value of the underlying property assets or final cash settlement alternatives. Impairment losses are recorded as incurred. Should these options not be exercised and this asset revert back to a receivable it will be assessed for impairment as a loan receivable at that point in time. Refer to Note 9 for significant assumptions made in the assessment of impairment for this asset.

## *Bartercard*

Bartercard assets are initially recorded at cost. At each balance date an assessment is made of the cash equivalent value obtainable on the expenditure of Bartercard. If this value exceeds cost, no adjustment is made, however if the cash price equivalent is less than cost, an impairment charge is made to this asset.

## *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

## *Recovery of Deferred Tax Assets*

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 S.165-210 of the Income Tax Assessment Act 1997.

## *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 24.

## *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## **PARENT ENTITY**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 32. The accounting policies of the parent entity are consistent with those of the Group, as disclosed above, except for the following:

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

## *Financial Guarantees*

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

## **COMPARATIVES**

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 3. REVENUE

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	16,874	15,847
Revenue from contracts with customers		
Catering – managed properties	1,544	1,602
Catering – owned properties	2,679	2,655
Total catering income	4,223	4,257
Service fees	2,822	2,334
Caretaking fees	890	798
Total service and catering fees	3,712	3,132
Total revenue from contracts with customers	7,935	7,389
Total revenue	24,809	23,236
<b>Other Income</b>		
Gain on sale of inventory <sup>1</sup>	1,031	-
Gain on sale of investment property	3	-
Gain on sale of intangibles	-	69
Other income	189	32
Total other income	1,223	101

<sup>1</sup> Refer to note 7 for further information.

### Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in Australia.

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Timing of revenue recognition</b>		
At a point in time	4,223	4,257
Over time	3,712	3,132
Total	7,935	7,389

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 4. ITEMS INCLUDED IN PROFIT

Profit before income tax expense includes the following specific items:

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Finance cost		
- Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,508	2,766
Total finance cost	2,508	2,766
Depreciation		
- Plant & equipment	39	50
- Buildings	33	17
- Motor vehicles	10	7
- Right of use assets	216	-
Total depreciation	298	74
Amortisation		
- Management rights	285	146
- Rent rolls	3	3
- Other	5	2
Total amortisation	293	151
Total depreciation and amortisation	591	225
Defined contribution superannuation expense	451	393
Employee expenses	3,027	2,327

## 5. INCOME TAX

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
The major components of income tax expense for the years ended 30 June 2020 and 2019 are:		
<i>Consolidated Statement of Profit or Loss</i>		
Current income tax	-	-
Deferred income tax	980	-
Income tax expense reported in the Statement of Profit or Loss	980	-



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

A reconciliation of income tax expense and the profit before tax multiplied by the applicable tax rate of 30% is as follows:

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	9,075	6,794
Income tax calculated at 30%	2,722	2,038
Tax effect of permanent differences	(20)	-
Recognition of net deferred tax assets not previously recognised	(1,722)	(2,038)
Income tax expense reported in the Statement of Profit or Loss	980	-

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Recognised in the Statement of Financial Position</b>		
<i>Deferred tax assets</i>		
Tax losses - revenue	8,665	7,122
Net (assessable) and deductible differences on sundry items	167	945
<i>Deferred tax liabilities</i>		
Investment properties, property, plant and equipment	(9,812)	(8,067)
Net deferred tax liability	(980)	-

## Not recognised in the Statement of Financial Position

<i>Unrecognised deferred tax assets</i>		
Tax losses - capital	968	-
Tax losses - revenue	-	1,828
Net (assessable) and deductible differences on sundry capital items	504	-
Net unrecognised deferred tax assets	1,472	1,828

## Reconciliation of unrecognised tax balances

Opening unrecognised amounts	1,828	4,205
<i>Recognition of temporary differences</i>		
Recognition and use of tax losses	(1,828)	(2,774)
Adjustment to prior period balances	1,472	397
Total movement	(356)	(2,377)
Closing balance	1,472	1,828

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

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

- 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 S.165-210 of the Income Tax Assessment Act 1997;
- the Group earns taxable income in future periods; and
- applicable tax laws are not changed, causing the losses to be unavailable.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Trade receivables	192	88
Other debtors	124	303
	<u>316</u>	<u>391</u>

Trade receivables are non-interest bearing unless otherwise stated and are generally on 30 day terms. Expected credit loss was considered not material during the year.

## 7. INVENTORY

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Balance at beginning of reporting period	9,215	11,783
Additions – Terranora units	463	412
Disposals – Terranora units	(4,798)	(380)
Disposals – Couran Cove units	-	(2,000)
Transfer to investment properties	-	(600)
Balance at end of reporting period	<u>4,880</u>	<u>9,215</u>
Current	3,778	9,215
Non-current	<u>1,102</u>	<u>-</u>
	<u>4,880</u>	<u>9,215</u>

Inventory comprises of property being sold as part of the Group's capital disposal program. At 30 June 2020, the Group's inventory balance comprises unit properties at Terranora NSW. During the year, 27 units at Terranora were sold for total consideration of \$6.39 million (which comprised of \$0.65 million in Bartercard and the balance in cash). The Bartercard received had a face value of \$0.93 million, however has been recorded at its assessed fair value of \$0.65 million on initial recognition. The total gain on the sale of units was \$1.03 million, consisting of total consideration of \$6.39 million less associated costs of \$5.36 million. The costs of development at Terranora are capitalised to the inventory as incurred. Current inventory is expected to be realised within 12 months via sales to third parties. Non-current inventory is expected to be realised within two years via sales to third parties.

The sale of the Couran Cove units was completed in the prior year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 8. LOANS RECEIVABLE

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Vendor finance <sup>1</sup>	434	486
McIntosh Loan <sup>2</sup>	-	306
West Cabin Loan <sup>3</sup>	315	320
	<b>749</b>	<b>1,112</b>
Current	396	698
Non-current	353	414
	<b>749</b>	<b>1,112</b>

<sup>1</sup> The Group acquired a loan book as part of the purchase of Elizabeth Vale Scenic Village Pty Ltd in 2015. Security for the loans consists of a first ranking mortgage over the property to which the loan pertains. The loans have maturity dates of between 2.7 and 3.8 years and interest is payable on these loans at a rate of between 5.50%-6.25% per annum.

<sup>2</sup> The McIntosh loan (refer Note 28) was repaid in full during the year.

<sup>3</sup> The West Cabin Loan is a secured loan to CCH Developments No 1 Pty Ltd (CCH) in its personal capacity and as trustee of the CCH Developments No 1 Trust for \$0.32 million. No interest accrues on this loan.

The loan is secured by a real property mortgage over two existing cabins owned by CCH and is guaranteed by Onterran Ltd (Onterran) and Mr Lachlan McIntosh in his personal capacity. Mr McIntosh was a director of Eureka until 31 December 2019, is the Executive Chairman of Onterran Ltd and a director of CCH. Recourse against CCH in respect of the loan is limited to the two existing cabins.

The loan is expected to be repaid upon settlement of the sale contracts for the two cabins held as security against the loan. Eureka has reserved its rights under the loan agreement and the security.

The Directors consider that the amount owed is recoverable, due to the validity and enforceability of the real property mortgages held by Eureka and the personal guarantee provided by Mr McIntosh.

## 9. OTHER ASSETS

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Prepayments and other assets <sup>1</sup>	450	409
Bartercard <sup>2</sup>	300	1,055
	<b>750</b>	<b>1,464</b>
<b>Non-current</b>		
Bartercard <sup>2</sup>	1,635	-
Other <sup>3</sup>	1,050	1,237
	<b>2,685</b>	<b>1,237</b>

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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<sup>1</sup> Amounts included relate to prepaid expenses and deposits for assets.

<sup>2</sup> Bartercard is an alternative currency and operates as a trade exchange. The Group has utilised Bartercard in the current reporting period and in recent years. At 30 June 2020, the Bartercard carrying value was \$1.94 million (2019: \$1.76 million comprising \$1.05 million in Other assets and \$0.71 million in Investment Property). During the year, the Group received Bartercard valued at \$0.65 million from the sale of Terranora units, expended \$0.12 million and recorded an impairment expense of \$0.35 million on the remaining Bartercard balance. Amounts classified in current is based on expected utilisation of Bartercard in the next 12 months.

<sup>3</sup> A loan to CCH Developments No 1 Pty Ltd (CCH) secured by a real property mortgage over land owned by CCH relating to 60 proposed cabin sites at Couran Cove, Qld. This loan is guaranteed by Onterran Ltd (Onterran). No interest accrues on this loan.

Eureka has a right of first refusal to purchase the proposed cabin sites for \$50,000 per site. The purchase price is to be paid by way of set off against the loan on settlement. The right can be exercised until the repayment date for the loan, which is on 31 August 2020. Eureka has the option to extend the repayment date, and the time in which it can exercise its right of first refusal, to 31 August 2023.

In order for Eureka to realise value from this agreement, Eureka intends to reach arrangements for developers to construct dwellings on the proposed cabin sites and ultimately acquire the sites from Eureka. Eureka's interests will be protected by its mortgage under any such arrangements with developers.

Although the intention is to recover this loan in full, the directors have assessed its fair value to be \$1.05 million at 30 June 2020 (2019: \$1.24 million). An additional impairment expense of \$0.19 million has been recorded in the year ended 30 June 2020 (2019: \$nil).

Fair value hierarchy disclosures for the land options have been provided in Note 24.

Total impairment on other assets of \$0.54 million includes impairment for Bartercard \$0.35 million and land option of \$0.19 million.

## 10. NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current</b>		
Non-current assets held for sale	483	519
	483	519

The balance at 30 June 2020 comprised two managers' units in Village Life Caboolture. The sale of two residential houses in Mt Gambier was completed during the year for a total consideration of \$0.54 million.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 11. INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Equity Holding	
		30 June 2020 %	30 June 2019 %
Comptons Caboolture Pty Ltd	Australia	100%	100%
Comptons Villages Australia Unit Trust	Australia	100%	100%
Easy Living (Bundaberg) Unit Trust	Australia	100%	100%
Easy Living Unit Trust	Australia	100%	100%
ECG No. 1 Pty Ltd	Australia	100%	100%
EGL Finance Pty Ltd	Australia	100%	100%
Elizabeth Vale Scenic Village Pty Ltd	Australia	100%	100%
Eureka Care Communities Pty Ltd	Australia	100%	100%
Eureka Care Communities (Morphetville) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Mount Gambier 3) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Salisbury) Pty Ltd	Australia	100%	100%
Eureka Care Communities (Wynnum) Pty Ltd	Australia	100%	100%
Eureka Care Communities Unit Trust	Australia	100%	100%
Eureka Cascade Gardens Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Albert Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Ayr) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Belgian Gardens) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Bowen) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Broken Hill) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Cairns) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Couran Cove) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Gladstone) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Lismore) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Margate) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Orange) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Southport) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Terranora) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Tivoli) Pty Ltd	Australia	100%	100%
Eureka Cascade Gardens (Townsville) Pty Ltd	Australia	100%	100%
Eureka Group Care Pty Ltd	Australia	100%	100%
Eureka Liberty Villas Pty Ltd <sup>1</sup>	Australia	100%	100%
Eureka Living Pty Ltd	Australia	100%	100%
Eureka Property Pty Ltd	Australia	100%	100%
Eureka Whitsunday Pty Ltd	Australia	100%	100%
Fig Investments Pty Ltd	Australia	100%	100%
Rockham Two Pty Ltd	Australia	100%	100%
SCV Leasing Pty Ltd	Australia	100%	100%
SCV Manager Pty Ltd	Australia	100%	100%
SCV No. 1 Pty Ltd	Australia	100%	100%
The Trustee for Rockham Unit Trust	Australia	100%	100%

<sup>1</sup> Eureka Liberty Villas Pty Ltd was formerly Eureka Care Communities (Mount Gambier 2) Pty Ltd

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 12. JOINT VENTURE INVESTMENT

The Group has a 50% Joint Venture (JV) interest in each of Affordable Living Services Unit Trust and Affordable Living Unit Trust, a Joint Venture (JV) which owns five retirement villages in Tasmania. The Group's interest in the JV is accounted for using the equity method in the consolidated financial statements. The accounting policies adopted by the JV are consistent with the Group's accounting policies. Summarised financial information of the JV, based on management accounts, and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Movements in aggregate carrying amount:</b>		
Opening balance	4,661	4,672
Share of profit from JV <sup>1</sup>	1,980	712
Cash distribution received	(686)	(723)
<b>Closing balance</b>	<b>5,955</b>	<b>4,661</b>

<sup>1</sup> Share of profit from JV included a 50% share of the increase in the fair value of the Tasmanian village property assets of \$1.09 million (2019: \$nil).

### Summarised statement of financial position of Affordable Living Unit Trust:

	30 June 2020 \$'000	30 June 2019 \$'000
Current assets, including cash and cash equivalents	172	125
Non-current assets <sup>1</sup>	21,146	18,844
Current liabilities <sup>2</sup>	(523)	(483)
Non-current liabilities <sup>3</sup>	(8,885)	(9,166)
Equity	11,910	9,320
Group's share in equity – 50%	5,955	4,660
Group's carrying amount of the investment	5,955	4,660

<sup>1</sup> Non-current assets includes investment property of \$21.14 million (2019: \$18.84 million).

<sup>2</sup> Current liabilities includes borrowings of \$0.30 million (2019: \$0.30 million), repayable within 12 months.

<sup>3</sup> Non-current liabilities includes long term borrowings of \$8.88 million (2019: \$9.16 million).

### Summarised statement of profit or loss of Affordable Living Unit Trust:

	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	6,177	3,611
Cost of Sales	(1,908)	(1,733)
Finance costs	(335)	(456)
Profit before tax	3,934	1,422
Income tax expense <sup>1</sup>	-	-
Profit for the year	3,934	1,422
Total comprehensive income for the year	3,934	1,422
Group's share of profit for the year	1,967	711

<sup>1</sup> Eureka and its JV partner are presently entitled to the net income of the trust for tax purposes. As a result, there is no tax payable or expensed in the JV.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Summarised statement of financial position of Affordable Living Services Unit Trust:

	30 June 2020 \$'000	30 June 2019 \$'000
Current assets, including cash and cash equivalents	-	87
Non-current assets	-	3
Current liabilities	-	(88)
Non-current liabilities	-	-
Equity	-	2
Group's share in equity – 50%	-	1
Group's carrying amount of the investment	-	1

## Summarised statement of profit or loss of Affordable Living Services Unit Trust:

	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	386	440
Cost of Sales	(360)	(438)
Finance costs	-	-
Profit before tax	26	2
Income tax expense <sup>1</sup>	-	-
Profit for the year	26	2
Total comprehensive income for the year	26	2
Group's share of profit for the year	13	1

<sup>1</sup> Eureka and its JV partner are presently entitled to the net income of the trust for tax purposes. As a result, there is no tax payable or expensed in the JV.

The joint venture had no contingent liabilities or commitments as at 30 June 2020 (2019: nil).

## 13. INVESTMENT PROPERTY

	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
Investment properties at fair value	121,443	105,406
<b>Movements in investment properties:</b>		
Balance at beginning of year	105,406	100,756
Acquisitions <sup>1</sup>	14,667	177
Disposals <sup>2</sup>	(1,516)	-
Capital expenditure	1,941	1,620
Transfer of Bartercard deposit to other assets	(714)	-
Transfer to non-current assets held for sale	(534)	-
Transfer from intangibles – management rights <sup>3</sup>	810	-
Transfer from inventory – Terranora Manager's residence	-	600
Net increment due to fair value adjustment	1,383	2,253
Balance at end of year	121,443	105,406

# Notes to the Financial Statements

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FOR THE YEAR ENDED 30 JUNE 2020

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<sup>1</sup> Includes the acquisition of a 124-unit rental village in Bundaberg, Qld, acquired on 28 February 2020.

<sup>2</sup> During the year, the Group divested its investment in a property located in Bowen, Qld for cash consideration of \$1.53 million. The village was sold at market value, based upon an independent external valuation, to an entity related to Mr McIntosh, a director during the year.

<sup>3</sup> Management rights held in relation to villages and units that are wholly owned by the Group, for which no external revenue stream exists and which were previously classified as intangibles, have been reclassified to investment property and are included in the fair value of the respective properties.

The Group's investment properties are shown individually in the table below and consist of 25 (2019: 25) retirement village assets along with associated manager's units and other rental units. The Group considers investment properties reside in one class of asset, being seniors' rental villages.

At 30 June 2020, the Group undertook a review of the fair value of all investment properties held and recorded a net revaluation gain of \$1.38 million (2019: \$2.25 million). This adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed in Note 24. Four properties were due for an independent external valuation by 30 June 2020 under the Group's accounting policy and requirements of its financing facility. Due to the outbreak of COVID-19 and visitor restrictions at the villages, these independent valuations have been postponed. A waiver has been received from the Group's lender to extend the independent valuations due date to 31 December 2020. These four properties have been internally valued using the earnings methodology and capitalisation rates disclosed in Note 24. The recorded fair value of these properties at 30 June 2020 was \$7.20 million (2019: \$7.12 million).

The net change in fair value is recognised in profit or loss in the reporting period in which the assessment is made.

Fair value hierarchy disclosures for investment properties have been provided in Note 24.

Amounts recognised in profit or loss for investment property:

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	16,874	15,847
Catering income	2,679	2,655
Direct operating expenses generating rental and catering income	(9,894)	(9,982)
Net gain on revaluation of investment property to fair value	1,383	2,253

The Group has no restrictions on the realisability of its investment property and has a contractual obligation to complete a solar energy enhancement program. There are no other contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Certain assets are pledged as security for borrowings – Refer to Note 19(a).



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Details of investment properties are as follows:

Property	Location	Acquisition date	Carrying amount	Carrying amount
			30 Jun 20 \$'000	30-Jun-19 \$'000
Koinonia Village	Ayr QLD	Aug-17	1,296	1,260
92 Primrose Street Belgian Gardens	Belgian Gardens QLD	Jun-16	1,469	1,382
61 Marana Street Bilambil Heights (Terranora)	Bilambil Heights NSW	Dec-15	2,900	2,900
Bowen Village	Bowen QLD	Dec-15	-	1,543
Broken Hill Village	Broken Hill NSW	Dec-16	2,609	2,016
Avenell Village on Vasey Bundaberg	Bundaberg QLD	Oct-14	5,202	5,060
3 Ovens Street Bundaberg	Bundaberg QLD	Feb-20	14,017	-
Lot 43 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	May-14	-	268
80 134-136 King Street Caboolture (manager's unit)	Caboolture QLD	Jan-15	-	271
Cascade Gardens Cairns	Cairns QLD	Jul-14	4,773	4,680
Lot 51 Christie Downs Community Centre (manager's unit)	Christie Downs SA	Dec-14	301	301
Elizabeth Vale Scenic Village 1	Elizabeth Vale SA	Oct-14	5,902	5,662
Elizabeth Vale Scenic Village 2	Elizabeth Vale SA	Apr-15	4,760	4,740
Rockhampton Village 1	Frenchville QLD	Oct-15	3,810	3,010
Rockhampton Village 2	Frenchville QLD	Dec-15	5,733	5,520
15/8 Wicks Street, New Auckland	Gladstone QLD	Sep-16	50	50
Freshwater Villas	Gympie QLD	Jul-17	4,428	4,400
Lot 49 Hackham Community Centre (manager's unit)	Hackham SA	Oct-14	266	266
Lot 97 144 Main South Road Hackham	Hackham SA	May-15	285	285
33 Mardross Court Lavington	Lavington NSW	Jun-15	4,741	4,700
Lismore Village	Lismore NSW	May-15	5,816	5,657
Cascade Gardens Mackay	Mackay QLD	Apr-14	9,344	9,156
43 Macdonnell Court Margate	Margate QLD	Jun-16	4,866	4,217
344 San Mateo Avenue Mildura	Mildura VIC	Jun-15	4,595	4,550
Mt Gambier 2 Retirement Village	Mt Gambier SA	Dec-15	3,363	3,314
Albert Street Gardens Village	Orange NSW	Sep-16	5,724	5,338
Salisbury	Salisbury East SA	Feb-16	4,883	4,094
60 Poplar Avenue Shepparton	Shepparton VIC	Jun-15	4,674	4,290
7 Meron Street Southport	Southport QLD	Jun-16	4,261	4,233
Lot 6,8,9,20,21&22 56A Moores Pocket Road Tivoli	Tivoli QLD	Mar-15	452	541
Galilee Lodge	Townsville QLD	Aug-17	929	922
Myall Place Retirement Village	Whyalla SA	Jan-15	4,404	4,527
40 Federation Street Wynnum	Wynnum QLD	Oct-15	5,590	5,540
Investment Property Enhancements	Various	Jun-17	-	714
			121,443	105,406

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 14. PROPERTY, PLANT & EQUIPMENT

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Buildings at cost	619	619
Accumulated depreciation	(234)	(202)
	<u>385</u>	<u>417</u>
Plant & equipment at cost	320	302
Accumulated depreciation	(163)	(124)
	<u>157</u>	<u>178</u>
Motor Vehicles at cost	81	81
Accumulated depreciation	(29)	(17)
	<u>52</u>	<u>64</u>
Total property, plant & equipment	<u>594</u>	<u>659</u>

Reconciliation of movements in property, plant &amp; equipment:

	<b>Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicle</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July 2018	434	211	37	682
Additions at cost	-	17	41	58
Disposals	-	-	(7)	(7)
Depreciation expense	(17)	(50)	(7)	(74)
Closing balance at 30 June 2019	<u>417</u>	<u>178</u>	<u>64</u>	<u>659</u>
Opening balance at 1 July 2019	417	178	64	659
Additions at cost	-	18	-	18
Depreciation expense	(32)	(39)	(12)	(83)
Closing balance at 30 June 2020	<u>385</u>	<u>157</u>	<u>52</u>	<u>594</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 15. RIGHT OF USE ASSETS

Right of use assets have arisen upon adoption of AASB 16 Leases from 1 July 2019. Refer to note 2 for further information.

	<b>30 June 2020</b> <b>\$'000</b>
<b>Leased property</b>	
Adjustment on adoption of AASB 16 on 1 July 2019	869
Modification on leases	58
Depreciation expense	(213)
Closing balance at 30 June 2020	<u>714</u>
<b>Leased equipment</b>	
Adjustment on adoption of AASB 16 on 1 July 2019	11
Depreciation expense	(3)
Closing balance at 30 June 2020	<u>8</u>
 Total Right of use assets at 30 June 2020	 <u><u>722</u></u>

Income received from sub-leasing right of use assets was \$0.03 million for the year.

## 16. INTANGIBLE ASSETS

	<b>Consolidated</b> <b>30 June 2020</b> <b>\$'000</b>	<b>30 June 2019</b> <b>\$'000</b>
Management rights – at cost	3,547	4,695
Accumulated amortisation and impairment	(1,430)	(1,404)
Net	<u>2,117</u>	<u>3,291</u>
 Rent rolls – at cost	 140	 140
Accumulated amortisation	(49)	(45)
Net	<u>91</u>	<u>95</u>
 Other intangibles – at cost	 25	 41
Accumulated amortisation	(11)	(34)
Net	<u>14</u>	<u>7</u>
 Goodwill	 <u>1,955</u>	 <u>1,955</u>
 Total intangible assets	 <u><u>4,177</u></u>	 <u><u>5,348</u></u>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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

During the year, management rights held in relation to villages that are wholly owned by the Group, for which no external revenue stream exists and which were previously classified as intangibles, have been reclassified to investment property and are included in the fair value of the respective properties.

## Impairment tests for Goodwill

Goodwill is monitored by the Board of Directors (who are identified as the chief operating decision makers) based upon the net profit of the villages that Eureka manages, after allowing for overhead costs attributable to the management of these villages. Goodwill has been allocated to the property management cash generating unit.

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

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

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

- cash flows were projected over a five year period by applying a 2% growth rate (2019: 2%) to the most recent year's cash flows;
- the terminal value was calculated using a growth rate of 2% (2019: 2%);
- cash flows have been discounted using a pre-tax discount rate of 15% (2019: 15%);
- cash flows do not take into account the management of any new villages; and
- cash flows are based on historical results and any potential impact of Covid-19.

Reconciliation of movements in intangible assets:

	Management Rights \$'000	Rent Rolls \$'000	Goodwill \$'000	Other intangibles \$'000	Total \$'000
Opening balance at 1 July 2018	3,437	98	1,955	545	6,035
Additions at cost	-	-	-	-	-
Disposals <sup>1</sup>	-	-	-	(536)	(536)
Amortisation expense	(146)	(3)	-	(2)	(151)
Closing balance at 30 June 2019	3,291	95	1,955	7	5,348
Opening balance at 1 July 2019	3,291	95	1,955	7	5,348
Additions at cost	-	-	-	12	12
Disposals (cost)	-	-	-	(28)	(28)
Disposals (accumulated amortisation)	-	-	-	28	28
Impairment expense	(80)	-	-	-	(80)
Transfer to investment property	(810)	-	-	-	(810)
Amortisation expense	(284)	(4)	-	(5)	(293)
Closing balance at 30 June 2020	2,117	91	1,955	14	4,177

The remaining amortisation period for the management rights, on a weighted average basis, is 12 years (2019: 12 years).

<sup>1</sup> In the prior year, the Group divested of certain trading and operating licences.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 17. TRADE & OTHER PAYABLES

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Trade creditors and accruals	2,123	1,367
Retirement Village Resident Loans	2	98
Acquisition related accruals	-	207
	<u>2,125</u>	<u>1,672</u>

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short term nature.

## 18. PROVISIONS

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
<b>Current</b>		
Employee benefits	523	416
	<u>523</u>	<u>416</u>
<b>Non-current</b>		
Employee benefits	73	12
	<u>73</u>	<u>12</u>

## 19. OTHER FINANCIAL LIABILITIES

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
<b>Current</b>		
Accrued interest	467	499
Commercial bills – secured <sup>1</sup>	-	1,763
Lease liability <sup>2</sup>	221	-
Insurance funding	64	110
	<u>752</u>	<u>2,372</u>
<b>Non-current</b>		
Commercial bills – secured <sup>1</sup>	54,472	47,471
Lease liability <sup>2</sup>	646	-
Borrowing costs	(234)	(353)
	<u>54,884</u>	<u>47,118</u>

<sup>1</sup> Commercial bills - secured

As at 30 June 2020, the Group has access to National Australia Bank ("NAB") facilities with the following terms:

- Maximum limit of \$60.00 million (2019: \$55.00 million). Interest is payable at a fixed rate of 4.87% on \$35.00 million and at variable rates (currently 2.16%) on the remaining drawn amount. A facility fee of 0.90% applies to any undrawn amount. The facility expires on 31 December 2021. Quarterly interest only payments are required. At 30 June 2020, total drawings on the facility were \$54.47 million (2019: \$47.47 million).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

The NAB facilities are secured by a first priority general security over all present and future acquired property. As at 30 June 2020, the Group's property assets, with a carrying value of \$126.81 million (2019: \$115.15 million), have been pledged by the Group.

The commercial bill facilities are subject to covenants which are commensurate with normal secured lending terms.

The Group complied with its covenants throughout the current and prior year.

During the year, a commercial loan of \$1.76 million previously provided by Westpac Banking Corporation was repaid in full. Interest was payable at a variable rate on this facility. The facility was closed during the year.

<sup>2</sup> Lease liabilities have arisen upon adoption of AASB 16 Leases from 1 July 2019. Refer to note 2 for further information.

## 20. SHARE CAPITAL

### Ordinary shares

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

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

	Consolidated			
	30 June 2020 Number	30 June 2020 \$'000	30 June 2019 Number	30 June 2019 \$'000
Balance at beginning and end of year	230,037,638	94,352	230,037,638	94,352

### Share Buy Back

The Company extended the share buy back period for a further 1 year from 16 March 2020. No ordinary shares were bought back and cancelled during the year (2019: nil).

### Equity Reserves

#### Share based payments

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. Refer to Note 27 for further details of these plans.

	Share based payments \$'000
As at 1 July 2018	12
Share options and share rights forfeited during the year	(12)
At 30 June 2019	-
Share-based payments expense during the year	5
At 30 June 2020	5

## 21. DIVIDENDS

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash dividends on ordinary shares declared and paid:</b>		
Final dividend for 2019: 1.0 cent per share (2018: nil)	2,300	-
Interim dividend for 2020: 0.55 cents per share (2019: nil)	1,265	-
	3,565	-

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Since 30 June 2020, the Board has declared a final dividend of 0.55 cents per share, amounting to \$1.27 million payable on 25 September 2020. The record date is 1 September 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

## 22. CASH FLOW INFORMATION

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
<b>(a) Reconciliation of cash</b>		
Cash at bank and on hand	2,451	3,060

### (b) Reconciliation of profit before tax to net cash flow from operating activities

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Profit after tax	8,095	6,794
Depreciation and amortisation	591	225
Gain on revaluation – investment properties and other assets	(1,330)	(1,953)
Impairment of intangibles and other assets	619	-
Share of profit of joint venture	(1,980)	(712)
Distribution received from joint venture	686	723
Gain on sale of investment property	(3)	-
Gain on sale of intangibles	-	(69)
Gain on sale of inventory	(1,031)	-
Loss on sale of property, plant and equipment	-	3
Non-cash purchases	38	11
(Increase)/decrease in:		
- Trade and other receivables	(76)	(260)
- Other current assets	(71)	(11)
- Equity reserve	(5)	12
Increase/(decrease) in:		
- Trade and other payables	979	(4)
- Provisions	168	20
- Other financial liabilities	(46)	(34)
- Deferred tax liability	980	-
Net cash flow from operating activities	7,614	4,745

### (c) Non-cash investing and financing activities

During the year, the Group received Bartercard dollars of \$0.65 million (2019: nil) and acquired goods and services of \$0.06 million with Bartercard dollars (2019: nil). The Group paid director's fees and other fees of \$0.14 million to Mr McIntosh (2019: \$0.13 million) which were offset against the McIntosh loan balance during the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 23. FINANCIAL INSTRUMENTS

### Overall policy

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

### a) Credit risk

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

Credit risk arises principally from the Group's cash and cash equivalents, receivables, other assets and loans receivable.

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Maximum exposure to credit risk</i>		
Cash and cash equivalents	2,451	3,060
Trade and other receivables	316	391
Loans receivable	749	1,112
Bartercard	1,935	1,055
Other assets	1,050	1,237
	<b>6,501</b>	<b>6,855</b>

### *Cash and cash equivalents*

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

### *Trade and other receivables*

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

The Group has a credit policy under which each new counter party or resident is analysed individually for creditworthiness before the Group enters into a services agreement with them. The Group monitors and follows-up its accounts receivable to ensure collections are being made promptly in accordance with contractual terms and conditions and actively pursues amounts past due.

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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

	Consolidated	
	30 June 2020 Gross amount receivable \$'000	30 June 2019 Gross amount receivable \$'000
Due 0-30 days	240	391
Past due 30-60 days	-	-
Past due 60-90 days	9	-
Past due 90 + days	67	-
	<u>316</u>	<u>391</u>

## Loans receivable

The Group's exposure to credit risk arises from the vendor finance loans which were part of the acquisition of Elizabeth Vale Scenic Village Pty Ltd and the West Cabin loan as detailed in Note 8. The vendor finance loan book consists of 10 individual loan contracts. The Group manages the units which are being held as security for the loans. Repayments are received monthly in accordance with the individual contracts or alternative agreed arrangements in place.

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

	Consolidated	
	30 June 2020 Gross amount receivable \$'000	30 June 2019 Gross amount receivable \$'000
Loans receivable		
Current	396	698
Non-current	353	414
	<u>749</u>	<u>1,112</u>

## Bartercard

Bartercard is an alternative currency and operates as a trade exchange. Bartercard is recorded at cost less any accumulated impairment, or at fair value, where Bartercard has been advanced to suppliers in exchange for future supply of goods. Eureka will no longer receive Bartercard dollars. The use of Bartercard dollars to purchase goods and services is actively managed to reduce this exposure.

## Other assets

The Couran Cove option is a right of first refusal for the Group to purchase proposed cabin sites at Couran Cove to offset against a \$3.00 million loan receivable from CCH Developments No 1 Pty Ltd. It is secured by a real property mortgage over the proposed cabin sites. Refer Note 9 for further details.

## b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due. This process involves the review and updating of cash flow forecasts and, when necessary, the obtaining of credit standby arrangements and loan facilities especially in relation to financing of proposed investment property acquisitions.

The Group had unused borrowing facilities of \$5.53 million at the reporting date.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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

## 30 June 2020

	Contractual cash flows \$'000	Less than 6 months \$'000	Consolidated 6 - 12 months \$'000	1 – 2 years \$'000	More than 2 years \$'000
Trade and other payables	2,123	2,123	-	-	-
Commercial bills <sup>1</sup>	58,201	1,555	1,087	55,559	-
Other financial liabilities	1,256	185	100	128	843
Total	61,580	3,863	1,187	55,687	843

## 30 June 2019

	Contractual cash flows \$'000	Less than 6 months \$'000	Consolidated 6 - 12 months \$'000	1 – 2 years \$'000	More than 2 years \$'000
Trade and other payables	1,367	1,367	-	-	-
Commercial bills <sup>1</sup>	55,315	3,406	1,110	2,218	48,581
Other financial liabilities	110	110	-	-	-
Total	56,792	4,883	1,110	2,218	48,581

<sup>1</sup> This amount includes estimated interest during the contractual period.

## c) Market risk

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

## d) Interest rate risk

The Group's exposure to market interest rates arises from long term borrowings in the form of commercial bills. Borrowings issued at variable rates expose the Group to interest rate risk. At 30 June 2020, \$19.47 million of the Group's commercial bills are at variable rates while \$35.00 million is fixed (refer to Note 19).

The Group regularly reviews its interest rate exposure, taking into account potential renewals of existing finance facilities, alternative financing, hedging options and the mix of fixed and variable interest rates.

## 24. FAIR VALUE MEASUREMENTS

### Fair value hierarchy

Investment properties, other assets (land option) and retirement village resident loans payable are measured at fair value, using a three level hierarchy, based upon the lowest level of input that is significant to the entire fair value measurement, being:

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

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

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Fair value of financial instruments (unrecognised)

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated – 2020</b>				
<i>Assets</i>				
Other assets – land option	-	-	1,050	1,050
Investment property	-	-	121,443	121,443
Total assets	-	-	122,493	122,493
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	2	2
Total liabilities	-	-	2	2
<b>Consolidated – 2019</b>				
<i>Assets</i>				
Other assets – land option	-	-	1,237	1,237
Investment property	-	-	105,406	105,406
Total assets	-	-	106,643	106,643
<i>Liabilities</i>				
Retirement Village Resident Loans	-	-	98	98
Total liabilities	-	-	98	98

## Valuation techniques for fair value measurements categorised within level 2 and level 3

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Investment properties 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 on current market evidence. Future income projections take into account occupancy, rental income and operating expenses.

Under the direct comparison approach, key inputs are the recent sales of comparable units in comparable villages. All resulting fair value estimates for properties are included in level 3.

## Valuation processes

Independent valuations have been obtained for a number of investment property assets during the year ended 30 June 2020 in accordance with the Group's accounting policy and were used as the basis for determining their related fair values. Valuer selection criteria include market knowledge, experience and qualifications, reputation, independence and whether professional standards are maintained.

Where an independent valuation was not performed on an investment property as at 30 June 2020, management has estimated the fair values by performing internal valuations based upon an income capitalisation method taking into account the most recent external valuation undertaken by an independent valuer.

Retirement village resident loans are measured as the ingoing contribution less deductions over time for the period of tenancy as a percentage of the length of expected residence term. Although the expected average residency term is between one to ten years, these obligations are classified as current liabilities, as required by the Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date. The liability is stated net of accrued deferred management fees at reporting date, because the Group's contract with residents require net settlement of those obligations. These are included in trade payables.

The land option valuation is based on the net present value of the loan over the period it is expected to be realised, using a discount rate of 30%. Given the probability of the loan being realised between 3-5 years, it has been classified as a non-current other asset.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)		Relationship of unobservable input to fair value
			2020	2019	
Other assets – land option	Net present value (NPV)	Discount pre-tax rate	30%	35%	A change in the discount rate would result in the following impact on NPV: +5%: NPV decreases by \$147,000 (2019: \$90,000) - 5%: NPV increases by \$178,000 (2019: \$119,000)
		Time frame of realisation	3 – 5 years	4 years	A change in the timeframe for realisation would result in the following impact on NPV: +1 year: NPV decreases by \$242,000 (2019: \$315,000) - 1 year: NPV increases by \$315,000 (2019: \$437,000)
Investment properties – Retirement Villages	Capitalisation method <sup>1</sup>	Capitalisation rate	8.25%-11.38% (10.04%) <sup>2</sup>	8.25%-11.00% (10.22%) <sup>2</sup>	Capitalisation rate has an inverse relationship to valuation.
		Stabilised occupancy	87%-100% (95%)	85%-100% (93%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
Investment properties – Individual Village Units	Direct comparison approach	Comparable sales evidence	N/A	N/A	Comparable sales evidence has a direct relationship to valuation.
Retirement village resident loans	Ingoing contribution less deductions for length of stay	Estimated length of stay of residents	1 – 10 years	1– 10 years	The longer the length of stay, the lower the value of resident loans.

<sup>1</sup> 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.

<sup>2</sup> Excludes three complexes with a capitalisation rate range of 6% to 6.5% and a village in which National Disability Insurance Scheme services revenue is earned with a capitalisation rate of 16%.

## Fair value measurements using significant unobservable inputs (level 3)

Movements in level 3 asset items during the current and previous financial year are set out in Note 9, 13 and 17.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 25. COMMITMENTS AND CONTINGENCIES

The Group had no material commitments as at 30 June 2020.

The Group has given bank guarantees to various landlords as at 30 June 2020 of \$0.05 million (2019: \$0.05 million).

From time to time Eureka may be subject to various claims and litigation from third parties during the ordinary course of its business. The directors have given consideration to such matters which are, or may, be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims exists.

## 26. EARNINGS PER SHARE

Basic earnings per share is determined by dividing profit attributable to the ordinary shareholders by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share is determined by dividing profit attributable to the ordinary shareholders by the weighted average number of ordinary shares and dilutive potential ordinary shares on issue during the year.

	30 June 2020 \$'000	30 June 2019 \$'000
Net profit after tax used in calculating basic and diluted earnings per share	8,095	6,794
	<b>#'000</b>	<b>#'000</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	230,038	230,038
Effects of dilution from share rights <sup>1</sup>	41	-
Weighted average number of ordinary shares & potential ordinary shares used in calculating diluted earnings per share	230,079	230,038
Basic earnings per share	3.52 cents	2.95 cents
Diluted earnings per share	3.52 cents	2.95 cents

<sup>1</sup> The share rights (refer to Note 27) are unquoted securities. Conversion to ordinary shares and vesting to executives is subject to performance and service conditions.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 27. SHARE BASED PAYMENTS

During the period ended 30 June 2020 the following equity instruments were issued:

### Share rights

The Company has a long term incentive (LTI) plan pursuant to which share rights were granted to key management personnel during the year, subject to service and performance conditions.

A total of 429,362 share rights were issued during the year (2019: nil) with an exercise price of \$nil (2019: \$nil). The share rights vest on 30 September 2022, subject to the satisfaction of performance and service conditions.

The share rights do not have any voting rights, rights to dividends, rights to capital and have no entitlement to participate in new issues offered to ordinary shareholders of the company.

The fair value of the share rights is estimated at the grant date using the Black Scholes pricing model, taking into account the terms and conditions on which the share rights were granted.

There are no cash settlement alternatives. The Group accounts for the share rights as an equity settled plan.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Options

During the prior year, 500,000 options granted to the former Chief Financial Officer lapsed as a result of his resignation.

## Share based payment expense

The expense recognised during the year is shown in the following table:

	30 June 2020 \$'000	30 June 2019 \$'000
Expense arising from equity-settled share based payment transactions	5	(12)
Total expense arising from share-based payment transactions	5	(12)

## Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share rights during the year:

Share rights	30 June 2020 Number	2020 WAEP	30 June 2019 Number	2019 WAEP
Outstanding at the beginning of the year	-	-	319,375	-
Granted during the year	429,362	-	-	-
Forfeited during the year	-	-	(319,379)	-
Outstanding at the end of the year	429,362	-	-	-

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Options	30 June 2020 Number	2020 WAEP	30 June 2019 Number	2019 WAEP
Outstanding at the beginning of the year	-	-	500,000	\$0.33
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(500,000)	-
Outstanding at the end of the year	-	-	-	-

No options were issued during the year or outstanding at 30 June 2020.

The following table list the inputs to the model used to value the share rights issued during the year:

	2020 Share rights
Grant date	27 May 2020
Expiry date	30 September 2024
Share price at grant date (\$)	0.315
Exercise price (\$)	0.00
Fair value of right (\$)	0.28
Dividend yield (%)	3.5
Expected volatility (%)	32.15
Risk-free interest rate (%)	0.26
Expected life of share rights (years)	4.35
Model used	Black Scholes

The expected volatility reflects the assumption that the historical volatility over the last 12 months will be an indication of the expected future volatility of the company's share price, which may not necessarily be the actual outcome.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 28. RELATED PARTY TRANSACTIONS

### (a) Key management personnel compensation

	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
Short term employee benefits	1,110	824
Post-employment benefits	86	57
Other employee benefits	5	(12)
Total	1,201	869

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

### (b) Other transactions with related parties

#### (i) Sales and purchases

The following table shows the income earned, expenses incurred and balances arising from related party transactions during the year:

	Sales to/(purchases from) related parties		Amounts owed by/(to) related parties <sup>1</sup>	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
<i>Joint venture</i>				
Management fees	282	262	24	29
<i>Director-related entities <sup>2</sup></i>				
Management fees	13	23	-	-
Rent (manager's units)	(26)	(51)	-	-
Consulting fees	(50)	(33)	-	(33)

<sup>1</sup> The amounts are classified as trade receivables and trade payables, respectively.

<sup>2</sup> The Group transacted with parties related to a director, Mr Lachlan McIntosh, during the year. Mr McIntosh ceased to be a director and related party on 31 December 2019 and as such no transaction or balance date amounts for the period after 31 December 2019 are disclosed.

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

#### (ii) Loan to a director, Mr McIntosh

	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
Balance at beginning of reporting period	306	-
Loans advanced	-	350
Loan repayments received <sup>1</sup>	(319)	(61)
Net interest charged	13	17
Balance at end of reporting period	-	306

<sup>1</sup> Loan repayments included director's fees and other fees of \$0.14 million (2019: \$0.13 million) which were offset against the loan balance during the year.

Mr McIntosh has provided a personal guarantee in respect to the West Cabin Loan. Refer to Note 8 for further details.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## ***(iii) Lease liabilities associated with right of use assets provided by related parties***

As a result of the application of AASB 16 Leases, the Group recognised lease liabilities associated with right of use assets provided by related parties. The Group is the lessee for leases associated with two managers' units in entities associated with Mr McIntosh. As Mr McIntosh ceased to be a director and related party at 31 December 2019, there are no lease liabilities associated with right of use assets provided by related parties at 30 June 2020.

## ***(iv) Other material transactions with director related entities***

During the year, the Group divested its investment in a property located in Bowen, Qld for \$1.53 million. The property was sold at market value, based upon an independent external valuation, to an entity related to Mr McIntosh.

## **29. ULTIMATE PARENT ENTITY**

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

## **30. 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 segments performance based on profit after tax. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Cash flows are not measured or reported by segment.

	Rental Villages <sup>1</sup>	Property Management <sup>2</sup>	Unallocated <sup>3</sup>	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated - 30 June 2020</b>				
Revenue	21,426	3,383	-	24,809
Interest revenue	-	-	36	36
Other income	50	-	1,173	1,223
<b>Total revenue and other income</b>	<b>21,476</b>	<b>3,383</b>	<b>1,209</b>	<b>26,068</b>
Expenses	(9,894)	(2,222)	(5,060)	(17,176)
Interest expense	(2,460)	(45)	(3)	(2,508)
<b>Total operating expenses</b>	<b>(12,354)</b>	<b>(2,267)</b>	<b>(5,063)</b>	<b>(19,684)</b>
Net gain/(loss) on change in fair value of:				
Investment property	1,383	-	-	1,383
Other assets	(53)	-	-	(53)
Share of profit of a joint venture	1,980	-	-	1,980
Impairment of intangibles and other assets	-	(80)	(539)	(619)
<b>Total other items</b>	<b>3,310</b>	<b>(80)</b>	<b>(539)</b>	<b>2,691</b>
Profit/(loss) before income tax expense	12,432	1,036	(4,393)	9,075
Income tax (expense)/benefit	(3,730)	(311)	3,061	(980)
<b>Profit/(loss) after income tax expense</b>	<b>8,702</b>	<b>725</b>	<b>(1,332)</b>	<b>8,095</b>
Segment Assets	129,236	4,977	10,992	145,205
Segment Liabilities	60,131	1,393	(2,187)	59,337

Non-cash and other significant items included in profit:

Gain on revaluation of investment property	1,383	-	-	1,383
Loss on revaluation of other assets	(53)	-	-	(53)
Impairment of intangibles and other assets	-	(80)	(539)	(619)
Depreciation & amortisation	(82)	(380)	(129)	(591)
Amortisation of borrowing costs	(207)	-	-	(207)
Share of profit of joint venture	1,980	-	-	1,980

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<b>Consolidated - 30 June 2020</b>				
<u>Segment acquisitions:</u>				
Acquisition of property, plant and equipment	-	-	18	18
Acquisition and subsequent expenditure of investment property	16,608	-	-	16,608
Additions to inventory	-	-	463	463

<sup>1</sup> Rental villages includes the investment in the Joint Venture.<sup>2</sup> Property management includes management rights.<sup>3</sup> Unallocated includes Terranora inventory and the profit on sale of units, Couran Cove and other loans receivable, Bartercard, cash, support office costs and corporate overheads. Segment liabilities include a deferred tax asset which is netted off against deferred tax liabilities in the Group balance sheet.

	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<b>Consolidated - 30 June 2019</b>				
Revenue	19,866	3,370	-	23,236
Interest revenue	-	-	57	57
Other income	10	-	91	101
<b>Total revenue and other income</b>	19,876	3,370	148	23,394
Expenses	(9,982)	(2,177)	(4,340)	(16,499)
Interest expense	(2,766)	-	-	(2,766)
<b>Total operating expenses</b>	(12,748)	(2,177)	(4,340)	(19,265)
Net gain on change in fair value of:				
Investment property	2,253	-	-	2,253
Other assets	(300)	-	-	(300)
Share of profit of a joint venture	712	-	-	712
<b>Total other items</b>	2,665	-	-	2,665
Profit/(loss) before income tax expense	9,793	1,193	(4,192)	6,794
Income tax expense	-	-	-	-
<b>Profit/(loss) after income tax expense</b>	9,793	1,193	(4,192)	6,794
Segment Assets	112,283	5,892	14,897	133,072
Segment Liabilities	51,131	104	355	51,590

Non-cash and other significant items included in profit:

Gain on revaluation of investment property	2,253	-	-	2,253
Depreciation & amortisation	(74)	(151)	-	(225)
Amortisation of borrowing costs	(232)	-	-	(232)
Loss on revaluation of other assets	(300)	-	-	(300)
Share of profit of joint venture	712	-	-	712

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated - 30 June 2019	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
<b>Segment acquisitions:</b>				
Acquisition of property, plant and equipment	-	-	58	58
Acquisition and subsequent expenditure of investment property	1,797	-	-	1,797
Additions to inventory	-	-	564	564

<sup>1</sup> Rental villages includes the investment in the Joint Venture.<sup>2</sup> Property management includes management rights.<sup>3</sup> Unallocated includes Terranora inventory and the profit on sale of units, Couran Cove and other loans receivable, Bartercard, cash, support office costs, corporate overheads and tax.

## 31. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
During the year the following fees were paid or payable for services provided by the auditor of the company and its related practices:		
<i>Fees to Ernst &amp; Young (Australia)</i>		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	146,100	145,454
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services:		
GST advice	-	7,000
Tax advice	20,900	-
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>167,000</b>	<b>152,454</b>
<i>Fees to other overseas member firms of Ernst &amp; Young (Australia)</i>		
Fees for auditing the financial report of any controlled entities	-	-
<b>Total fees to overseas member firms of Ernst &amp; Young (Australia)</b>	<b>-</b>	<b>-</b>
<b>Total auditor's remuneration</b>	<b>167,000</b>	<b>152,454</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## 32. PARENT ENTITY DISCLOSURES

	30 June 2020 \$'000	30 June 2019 \$'000
Information relating to Eureka Group Holdings Limited (parent entity):		
<b>Results of the parent entity</b>		
Profit/(loss) for the year	5,303	(4,915)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	5,303	(4,915)
<b>Financial position of parent entity at year-end</b>		
Current assets	1,915	4,355
Non-current assets	93,848	81,571
Total assets	95,763	85,926
Current liabilities	895	887
Non-current liabilities	55,218	47,118
Total liabilities	56,113	48,005
Share capital	94,353	94,353
Equity reserve	5	-
Accumulated losses	(54,708)	(56,432)
Total equity	39,650	37,921

### **Guarantees entered into by the parent entity**

The parent entity has not provided financial guarantees in relation to the debts of its subsidiaries.

### **Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2020. Refer to Note 25 for further details.

### **Contractual commitments for capital items**

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

## 33. SUBSEQUENT EVENTS

Subsequent to year end, the following significant transactions have occurred:

- Terranora NSW — the settlement of 4 units, totalling \$1.13 million was completed, with an additional 1 unit exchanged for \$0.30 million, totalling \$1.43 million.
- Dividend – the Company declared a final dividend in respect of the year of 0.55 cents per share, payable on 25 September 2020 amounting to \$1.27 million.

Other than the above mentioned items, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2020

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

1. In the opinion of the Directors of Eureka Group Holdings Limited ("the Company"):
  - a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
    - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board



**Murray Boyte**  
Executive Chair

Dated in Brisbane this 21st day of August 2020.

## Independent Auditor's Report to the Members of Eureka Group Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the 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 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Recognition and Valuation of Investment Properties

### Why significant

The recognition and valuation of investment properties was a key audit matter due to the value of the recorded asset (30 June 2020: \$121,443,000) relative to total assets and the degree of estimation and judgement required to be made by the Group, specifically concerning classification and determination of fair value.

The Group assesses whether new acquisitions are classified as an asset acquisition (individual acquisitions of investment property assets) or business acquisitions. Investment properties are assessed each year by the Group to determine if they continue to meet the requirements under Australian Accounting Standards to be classified as investment property.

All investment properties are recorded at their fair value. Fair values are determined every six months by reference to independent valuations or internal valuations with reference to current market conditions. Changes in fair values are recognised in the consolidated statement of comprehensive income. Assumptions used in valuations have been impacted by the economic uncertainty resulting from the COVID-19 pandemic and are critical to the assessment of fair value. Significant assumptions used in the valuation of the Group's investment property are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be.

At 30 June 2020 the property market, and broader economy, were significantly impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Given the market conditions at the balance date, it has not been possible for independent valuers to undertake independent valuations under the Group's three-year independent valuation cycle for four properties. As a result, we consider the property valuations and the related disclosures in the financial statements to be particularly significant to our audit. For the same reasons we consider it important that attention is drawn to

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessing significant investment property acquisitions made during the year as to whether they were correctly classified as an asset or business acquisition. In doing so, we analysed related contracts of purchase and settlement statements.
- Evaluating the Group's assessment of properties classified as investment properties under Australian Accounting Standards, with consideration as to how significant returns are derived from these assets.
- We agreed investment properties to applicable title and other documents evidencing ownership.
- Assessing the Group's fair value determination of investment properties. In doing so, we performed the following procedures:
  - Assessed the sustainable earnings for each property, including occupancy assumptions, in particular changes made as a result of COVID-19.
  - Considered the capitalisation rates of properties by region with the involvement of our real estate valuation specialists.
- Holding discussions with management to understand the impact that COVID-19 has had on the Group's investment properties. This included considerations of the impact that COVID-19 has had on key assumptions such as the future maintainable earnings and capitalisation rates.
- Evaluating the compliance of the note disclosures with Australian Accounting Standards including specific uncertainties arising from the COVID-19 pandemic.

the Notes 2 and 13 of the financial report disclosing the investment property assets and Note 24 disclosing the assumptions used in the valuation of these assets.

## Impairment Testing of Intangible Assets

### Why significant

Impairment testing of intangible assets was a key audit matter due to the value of the recorded asset (30 June 2020: \$4,177,000) and the degree of estimation required to be made by the Group in calculating the value-in-use using discounted cash flow forecasts.

Note 16 of the financial report discloses the Group's intangible assets and the key assumptions used in testing these assets for impairment, including those used in the cash flow forecasts.

The Group performs an annual impairment assessment of goodwill, while amortising intangible assets, such as management letting rights, are assessed for indicators of impairment.

The recoverable amount has been determined based on a value in use model with discounted cash flows, estimates and other significant judgments regarding future projections which have been impacted by the economic uncertainty resulting from the COVID-19 pandemic and are critical to the assessment of impairment.

Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the size of the asset and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Evaluating the Group's assessment of impairment indicators for management letting rights.
- Evaluating the Group's assessment of Cash Generating Units.
- Testing the mathematical accuracy of the impairment model.
- Considering the accuracy of the Group's historical cash flow forecasts. We agreed the forecasts to Board approved budgets and compared those forecasts to previously achieved results and considered any adjustments required for current trading and market activities, such as the impact of COVID-19.
- Assessing the key assumptions within the impairment model including the growth rate and discount rate.
- Applying our knowledge of the business and corroborating our work with external information where possible, including published earnings multiples for similar assets, specifically management letting rights based on profitability and tenure.
- Assessing the adequacy of the fair value disclosures included in Note 16 to the financial report.



## Non-Core Assets

### Why significant

The Group is in the process of realising a number of non-core assets. These assets are:

- Couran Cove Land Option (Note 9) - \$1,050,000
- Loan Receivable from former related parties (Note 8) - \$315,000
- Terranora Unit Inventory (Note 7) - \$4,880,000

These assets are material to the Group, require judgment in determining the appropriate accounting treatment and in assessing their carrying value. As a result, this was considered to be a key audit matter.

The Group assessed the recoverability of these assets as follows:

- The Couran Cove Land Option has been carried at fair value based on estimates of future cash flows expected to be received from the land assets. Future projections have been impacted by the economic uncertainty resulting from the COVID-19 pandemic and are critical to the assessment of value. Significant assumptions used in the valuation assessment referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the size of the asset and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.
- Loan Receivable from former related parties has been assessed based on expected future cash flows, the credit worthiness of the borrowers and the value of security provided. The borrowers are expected to settle the loan using the proceeds from the sale of real property. However, given the uncertainty resulting from the COVID-19 pandemic, the sale contracts have been

### How our audit addressed the key audit matter

Our audit procedures concerning the land option included the following:

- Reviewing contractual terms and other legal correspondence in the period to assess if the Group has legal title to the assets.
- Comparing key market-derived estimates, including expected selling price, to external data, where available. This includes consideration of the impact of COVID-19 has had on the expected selling price of the land.
- Understanding changes and developments in the asset in the period.
- Performing sensitivity analyses to assess the range of acceptable recoverable value estimates.
- Testing the mathematical accuracy of the models.
- Assessing the adequacy of the related disclosure in the financial report.

Our audit procedures relating to loan receivable included the following:

- Reviewing the loan agreement.
- Reviewing legal correspondence to confirm the existence of the loan and its terms.
- Reviewing management's assessment of recoverability of the loan, including creditworthiness of the borrowers, and security on the loan.
- Assessing the adequacy of the provision for expected credit losses including any uncertainties arising from the COVID-19 pandemic.
- Testing the mathematical accuracy of the interest calculation.
- Assessing the adequacy of the related disclosure in the financial report.

Our audit procedures concerning the Terranora inventory included the following:

- Testing additions and disposals to supporting documentation and bank statements on a sample basis.
- Testing management's estimated costs of completion and realisation based on recent transactions.
- Assessing the adequacy of the related disclosure in the financial report.

- extended resulting in the extension of the repayment of the receivable.
- The Terranora asset has been assessed to be capital inventory and is carried at the lower of cost and net realisable value. The net realisable value has been assessed by management using external independent valuations and estimates of cost to complete (building works) and realise this asset.

The Group has also assessed the expected time frames for recovery of these assets in order to determine their recording as either current or non-current assets.

For all assets above we evaluated management's assessment of whether the asset is likely to be realised within 12 months of the balance date.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

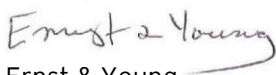
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.


In our opinion, the Remuneration Report of Eureka Group Holdings Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



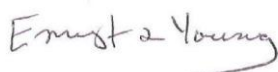
Brad Tozer  
Partner  
Brisbane  
21 August 2020

## Auditor's Independence Declaration to the Directors of Eureka Group Holdings Limited

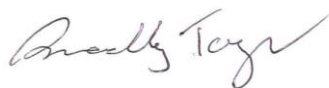
As lead auditor for the audit of the financial report of Eureka Group Holdings Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Brad Tozer  
Partner  
21 August 2020

# Corporate Governance Statement

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The Company's directors and management are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation during the financial year.

The Board has adopted the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent considered appropriate for the size and nature of the Group's operations. The Corporate Governance Statement identifies any Recommendations that have not been followed and provides reasons for not following those Recommendations.

The Company's Corporate Governance Statement and key policies can be found on its website:

<https://www.eurekagroupholdings.com.au/investors/corporate-governance/>.

# Security Holder Information

Distribution of Securities as at 12 August 2020

Number of Securities	No of Shareholders
1 – 1,000	332
1,001 – 5,000	193
5,001 – 10,000	102
10,001 – 100,000	290
100,001 and over	140
<b>Total Security Holders</b>	<b>1,057</b>

## Marketable Shares

There were 353 holders of less than a marketable parcel of 1,351 shares holding a total of 108,382 shares.

## Voting Rights

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

## Substantial Holders as at 12 August 2020

	No of Ordinary Shares Held	% of Issued Share Capital
NAOS Asset Management Limited	45,736,198	19.88
Cooper Investors Pty Limited	32,934,541	14.32
Tribeca Investment Partners	25,365,406	11.03%
Charter Hall Property Securities Management Limited	15,800,658	6.87
Sunsuper Pty Ltd	14,632,669	6.36
Salt Funds Management	11,792,176	5.13
<b>Total</b>	<b>146,261,648</b>	<b>63.58</b>

## Twenty Largest Ordinary Shareholders as at 12 August 2020

	No of Ordinary Shares Held	% of Issued Share Capital
National Nominees Limited	96,778,654	42.07
J P Morgan Nominees Australia Pty Limited	20,464,628	8.90
HSBC Custody Nominees (Australia) Limited	17,688,584	7.69
One Managed Investment Funds Limited	8,000,000	4.38
Tolani Estate Pty Ltd	4,400,000	1.91
Mr Alister C Wright	3,650,000	1.59
H & G Limited	3,195,359	1.39
Mr Richard Mews & Mrs Wee Khoon Mews	2,188,607	0.95
Equipment Company of Australia Pty Limited	2,185,360	0.95
HSBC Custody Nominees (Australia) Limited – A/C 2	2,018,372	0.88
HIDIV Pty Ltd	1,898,075	0.83
Graeme Webb Holdings Pty Ltd	1,770,000	0.77
NEJA Pty Ltd	1,750,000	0.76
UBS Nominees Pty Ltd	1,500,000	0.65
Gold Tiger Investments Pty Ltd	1,500,000	0.65
Acadia Park Pty Ltd	1,425,000	0.62
Wulguru Townsville Pty Ltd	1,283,334	0.56
Condon Townsville Pty Ltd	1,283,334	0.56
EXLDATA Pty Ltd	1,207,507	0.52
Citicorp Nominees Pty Ltd	1,176,950	0.51
<b>Total</b>	<b>177,563,991</b>	<b>77.19</b>

# Corporate Directory

## Registered Address & Contact Details

Registered Address	Suite 2D 7 Short St, Southport QLD 4215
Postal Address	PO Box PO Box 10819, Southport BC QLD 4215
Phone number	07 5568 0205
Website	<a href="http://www.eurekagroupholdings.com.au">www.eurekagroupholdings.com.au</a>
Email	info@eurekagroupholdings.com.au

## Board of Directors

Murray Boyte (Executive Chair)  
Russell Banham  
Sue Renkin  
Greg Paramor AO

## Senior Management

Cameron Taylor	Chief Operating Officer
Tracey Campion	Chief Financial Officer

## Company Secretary

Laura Fanning

## Solicitors

Jones Day  
Riverside Centre  
Level 31/123 Eagle Street  
Brisbane QLD 4000  
Tel: 07 3085 7000  
Fax: 07 3085 7099

Mills Oakley  
Level 7  
151 Clarence Street  
Sydney NSW 2000  
Tel: 02 8289 5800  
Fax: 02 9247 1315

## 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