



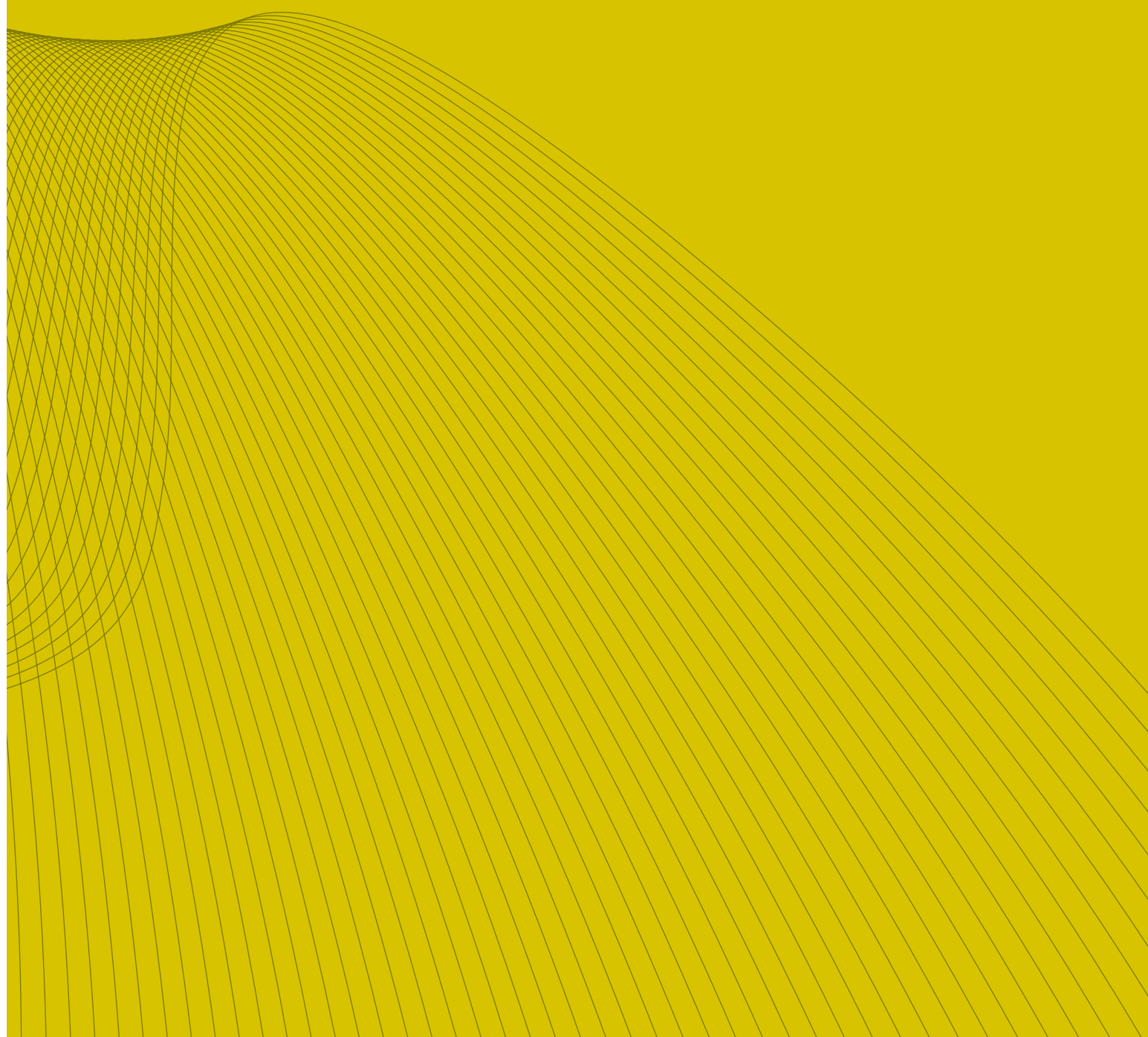
EUMUNDI GROUP

# [09 10]

ANNUAL REPORT

## [ TABLE OF CONTENTS ]

CORPORATE DIRECTORY	3
CHAIRMAN'S ADDRESS	4
MANAGING DIRECTOR'S REPORT	6
DIRECTORS' REPORT	12
AUDITOR'S INDEPENDENCE DECLARATION	18
CORPORATE GOVERNANCE STATEMENT	19
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	24
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE FINANCIAL STATEMENTS	28
DIRECTORS' DECLARATION	59
INDEPENDENT AUDITOR'S REPORT	60
SHAREHOLDER INFORMATION	62



## [ CORPORATE DIRECTORY ]

### DIRECTORS

Joseph Michael Ganim – Chairman  
Gilbert De Luca  
Vernon Alan Wills

### COMPANY SECRETARY CHIEF EXECUTIVE OFFICER PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Mark Beauchamp Peacock  
Leni Pia Stanley  
Mark Beauchamp Peacock  
c/- Hopgood Ganim  
Level 8,  
1 Eagle Street Brisbane Qld 4000  
Telephone: (07) 3024 0000

### PRINCIPAL PLACE OF BUSINESS

Level 15,  
10 Market Street Brisbane Qld 4000  
Telephone: (07) 3229 7222  
Facsimile: (07) 3211 8222

### SHARE REGISTER

c/- Computershare Registry  
Services Pty Limited  
Level 27 Central Plaza One  
345 Queen Street Brisbane Qld 4000  
Telephone 1300 552 270

### AUDITOR

Johnston Rorke  
Level 30 Central Plaza One  
345 Queen Street Brisbane Qld 4000

### SOLICITORS

Hopgood Ganim  
Level 8, 1 Eagle Street Brisbane Qld 4000  
Telephone: (07) 3024 0000

### BANKERS

National Australia Bank  
255 Adelaide Street Brisbane Qld 4000

### STOCK EXCHANGE LISTING

Eumundi Group Limited shares are listed  
on the Australian Securities Exchange

### WEB SITE ADDRESS

[www.eumundi-ltd.com.au](http://www.eumundi-ltd.com.au)

# IMPROVING OUR ASSETS

Eumundi Group has experienced another difficult year in 2010 and it is small comfort that we are not alone.

The Australian economy has some time to go before we can put the impacts of the global financial crisis behind us. Indeed the majority of Australian companies involved in the property and hotel sectors continue to face the very real challenges of diminishing asset values and the accelerated cost of debt.

In spite of adverse market conditions, Eumundi Group is delivering on its prior years' commitment to strengthen and improve existing assets. Continued softening of investment property yields has seen average capitalisation rates increase.

The result of this is a further fair value write-down of investment property assets of \$5,985,000 in 2010 which resulted in the overall loss of the group in the 2010 year.

The Ashmore Tavern has proven a strong asset for the group since it was purchased in 1996. We are conscious of difficult times in the hotel and retail liquor industries with numerous hotel assets reluctantly offered for sale by desperate owners. The hotel market over-heated two years ago.

Pubs changed hand for ridiculous amounts, and subsequently the GFC has brought many of those operators to their knees. The combined effect of the liquor discounting war, apparent between the majors, and ever increasing legislation makes this sector a challenge going forward. This uncertainty in the market has attributed to lower valuations on the hotel's land and

building assets, however cashflow from this segment remains strong.

The carrying value of the group's investment properties declined in the current year, however contributions from these assets are improving, and will continue to do so. Vacancy rates as at 30 June 2010 were 4.71% of gross leased area as compared to 13.52% as at 30 June 2009. Home Hill and Aspley Shopping Centre properties are fully leased with 2% vacancy at Aspley Arcade and 9% remaining at the Bribie Harbour property. This is a very positive result in a difficult economic environment, and further proof of the quality of our assets.

In prior years we looked for suitable investment opportunities to expand our portfolio, however, this was not a realistic option in the 2010 year with increasing pressure caused by diminishing property valuations on existing borrowing levels. While the opportunities are now there, we are presently unable to take advantage of them.

With continued conservatism from valuers and financiers, and forced asset sales compounded by higher interest rates, the property market remains slow and the marketing and sale of the group's assets cannot be justified, particularly as each asset delivers good cash flow returns. Having said that, we are always open to opportunities that might arise which would see the groups assets realized at a value which is considered worthy and in

the best interests of shareholders.

Our statutory net result is a net loss after tax of \$3.482 million for the 2009/10 year. This result takes into account fair value decreases on our investment properties of \$5,947,000. The statutory net result for 2008/09 was a net loss after tax of \$4.228 million incorporating net fair value decreases on investment properties of \$6.228 million attributable to softened yields and weakened market outlook, as well as the \$0.547 million write down on impairment of acquired management rights following the advised loss of a significant property management client as of 30 September 2009.

Profit from ongoing operations adjusted for non-recurring and significant items such as property revaluations and goodwill impairment for 2009/10 is \$0.589 million after tax compared to \$0.515 million after tax in the prior year.

Fair value decreases in the group's investment property assets (\$4.190 million net of tax) and land and building assets (\$1.786 million net of tax) has led to a reduction in net assets attributable to members of Eumundi from \$17.800 million as at 30 June 2009 to \$12.462 million as at 30 June 2010.

Eumundi's share price on the ASX has been 4 – 5 cents per share for the past month, however, there are few transactions taking place at these prices. As demonstrated by the attached accounts, the true value of these shares is substantially higher.

Net asset backing per share has decreased from 25.1 cents per share to 17.6 cents per share, a decrease of 29.9% compared to the prior year, due to the depressed market for property and hotel assets. It is important to note that these values, while in accordance with accounting standards, do not incorporate any value for gaming licences or for the group's businesses. The true value encapsulating these intangible assets is higher than 17.6 cents, and we believe in the order of 26 cents.

Our debt level remains high and uncomfortably so should interest rates climb in the 2010-11 year and beyond. The group's total borrowing has increased only slightly compared to this time last year, however average finance costs have increased to 7.19%

from 4.06% during the course of the year. Capital markets have continued to tighten while rationalisation of the banking sector has seen some lenders exiting the Australian market altogether. The 2009 failure of some high profile companies has damaged the confidence of many investors who are now less willing to commit to long term positions in shares and properties. Instead, these investors adopt a highly liquid and comparative secure cash position waiting for the market to bounce back. As a result, while cash rich, even the major banks are taking a very short position with the vast majority of companies, ensuring they – the banks – can respond quickly when the Australian investor's appetite changes and cash reserves are withdrawn to fund alternate investment strategies.

We are fortunate to have the continued support of the National Australia Bank, who have agreed to extend the tenure of the group's facilities to 31 August 2011, subject to documentation.

## SUBSEQUENT EVENTS

The Company has made three announcements subsequent to the end of the year under report, which related to the revaluation of the group's property assets, the release of preliminary results, and the appointment of Mark Peacock as managing director

## FUTURE DIRECTION

The Australian economy faces another difficult year. While some reports are that the worst of the GFC is behind us, many others indicate a further dip in the next 12 months.

Eumundi Group remains prepared for another difficult year in 2010/11 with ongoing priorities of cost control, reduction of debt and the continued development and strengthening of existing assets.

We will continue to actively search for opportunities that the current environment may deliver across all facets of our business, but we are mindful that debt level must be contained to allow safe servicing.

Through the expertise of high calibre professionals in each of our business sectors the group has the capability to pursue a wide range of opportunities, with a particular emphasis on

retail property acquisitions and development to further enhance our portfolio, but we will not do so unless any proposed acquisition can stand comfortably on its own. Our existing property holdings are under constant review and exploration for possible redevelopment and improvement continues. The Board will not hesitate to take advantage of opportunities to trade assets or seek joint ventures where the offering will significantly improve the financial position of the group.

While remaining cautious about the economic outlook, the directors are confident that we have taken the appropriate steps to get our business stable to face ongoing challenges and capitalise on opportunities presented.

The directors do not consider it appropriate to consider the payment of a dividend at this time with continued priority given to further building the company's asset backing and ensure financial flexibility for acquisitions. We have available tax losses of \$666,000 which we will take up against the profits from future years. As previously indicated, once these tax losses have been utilised, and the company has built up a credible asset base, the payment of dividends will appear on the agenda.

The board would like to thank all of our loyal and hard working staff but in particular Mark Peacock, our former chief executive officer, and now managing director, Suzanne Jacobi Lee, our chief financial officer, Jason Morphett and his team at the Ashmore Tavern, and our staff at Punch Joseph and Associates.

I personally would like to thank my fellow directors for their expertise and the amount of work they put in each year with participation in meetings and discussions well beyond the formal board meetings.



**J M GANIM**  
Chairman  
30 September 2010



MANAGING DIRECTOR'S REPORT

# REVIEW OF OPERATIONS & ACTIVITIES

Whilst this year has demonstrated continued softening in the property market, the income stream from our assets has remained solid. Faced with increased interest rates and downward pressure on valuations we have managed to maintain our assets and position them for growth when the market recovers.

The group's assets essentially consist of two shopping centres, a tavern with associated retail liquor outlets, an investment property and a boutique commercial/ retail property management business



## INVESTMENT PROPERTIES

### Aspley Shopping Centres

The centre is an amalgamation of 3 shopping centres making up 15,158sqm of "Multi Purpose Centre MP3 Suburban Centre" land situated on the outbound lane of Gympie Road, 13klm north of Brisbane. The access to the centres is excellent with Gympie Road frontage and Gayford Street at the rear. The site is clearly underdeveloped with only 4,533sqm of net lettable area of which only 42sqm currently remains vacant. With in excess of 260 car parks the centre is thriving, and excellent rental are being achieved. As testament for the desirability of the centre, Westpac completed a significant refurbishment of their premises and entered into a new 8 year lease, Today's Dentistry, are completing a significant expansion of their dentistry practice, and several businesses have been sold for valuable consideration.

The approved development of the Aspley caravan park to accommodate in excess of 700 apartments a few hundred meters away, improving road systems and the growth north along Gympie road, ensures the prosperity and value of the centre, as either a passive investment or redevelopment opportunity.

### Bribie Harbour Shopping Village

Following completion of the redevelopment of the centre in April 2009, the residual dispute with the builders was resolved in a timely and economical way. Leasing up of the vacant shops has been slow and tenants have experienced difficult trading conditions. Of the 4,508sqm of net lettable area, 5 shops remain vacant totalling 426sqm or 9.4%. Cornett's IGA occupying 2,760sqm, is the major tenant, surrounded by a range of specialties. With the recent opening of the Discount Drug Store Pharmacy (taking 3 shops- 237sqm) which relocated from a neighbouring shopping centre, and increasing traffic in the centre, we are hopeful

that the remaining vacancies will be filled in the not too distant future.

As the second largest shopping centre on Bribie Island, and with the Pacific Harbour development and Banksia Beach State School with enrolments in excess of 800 primary school students, within 1 klm, we believe the future of the centre is secure. Once the centre is filled and businesses experience increased trade, rents and the valuation of the centre will improve.

### Home Hill

The Home Hill property is located some 100klm inland from Townsville. Farry's Food Town IGA is the sole tenant. The Farry family sold the building to the Eumundi Group in January 2007. The property consists of 2,226sqm and is located in a prominent position in the main street of Home Hill. It includes 1,012sqm of undeveloped land at the rear of the supermarket. Although consideration has been given to expanding the supermarket and/or adding specialty shops, it was considered that in view of market conditions it was not viable and prudent to proceed at this time. Moreover, discussions with the Farry family have indicated that they do not wish to expand the supermarket, but rather, sell and move on. Whether the business sells or not, further opportunities may arise to redevelop the site, which will be considered on merit. A sale opportunity may also arise at this time which can also be considered. In the meantime the rental being paid is solid and the property should steadily increase in value.

During the year, it became apparent that the supermarket's roof repairs undertaken by an independent contractor failed and that the entire roof requires replacement. It was hoped that the repairs undertaken would have remedied the leaks in the roof, pending a redevelopment of the supermarket building, however, that proved not to be

the case. Consequently, a roofing contractor from Townsville has been contracted to replace the roof and these works are scheduled for completion in early November, 2010.

### Hotel operations

The Ashmore Tavern business consists of a 40 poker machine gaming room, lounge bar and restaurant sports bar, drive through bottle shop, liquor barn and three detached bottle shops. The tavern is situated approximately 3klm west of Southport CBD and 6klm from the Surfers Paradise beach and is ideally positioned on a major busy suburban roundabout, occupying 8,944sqm.

Revenue from the tavern's operations has held up well over a difficult financial year, particularly for hotels with pressure on discretionary spending and the liquor price wars between the major liquor suppliers, which is seen daily in the newspapers.

Through careful planning and management, the tavern is positioned in the top 5 gaming venues, and remains one of the largest independent retail outlets through its Quench brand on the Gold Coast. Following the refurbishment of the sports bar and expansion of TAB facilities, an application has been lodged with the Gold Coast City council for the approval of a expanded DOSA covered deck adjacent to the sports bar which will provide an added attraction to the already well received sports bar facilities.

In view of market conditions, a full renovation of the lounge bar and restaurant was postponed opting for a makeover of the gaming room, renovation of the toilet facilities for both areas and some minor renovations to the kitchen and dining area. By maintaining gaming patronage and with increasing turnover in the lounge and restaurant, it is hoped that a full scale refurbishment of these areas will be feasible once the market improves.



On the retail liquor front, whilst competition has been fierce, we are maintaining our loyal customers with no fancy frills, and everyday low pricing. Even though it proves difficult to both land and deliver pricing which the majors do not beat, with high level service, fair pricing and convenience, we hope to maintain our position in the market and grow once the current unsustainable competition subsidies, either through effluxion of time or when restrictions on liquor advertising is introduced.

Valuations of hotels have again declined over the year, with a number of receiverships and portfolio divestments. We are, however, confident that due to the excellent positioning of the tavern, its independence and patronage, that valuations will improve, unless there are significant legislative changes to liquor and gaming which have an adverse affect on the taverns trading performance.

If this were to occur, redevelopment of the tavern site remains a viable alternative, which could incorporate a mix use development, with scaled down hotel operation, supermarket, specialty shops and residential. By maintaining ownership of both the freehold and the hotel business, this option will always remain.

In the meantime, the focus is heavily on promoting the 'Family, Food, Friends' ethos of the Ashmore Tavern and increasing the tavern's desirability as a destination venue for locals, their friends, and visitors to the area.



PROPERTY MANAGEMENT IS OUR ONLY BUSINESS

### **PJA Property Management**

As foreshadowed in last year's report, our property management business experienced the loss as from October 2009 of a major client, as they opted to take their building managements in-house. Whilst this had an immediate effect on turnover, through restructuring and hard work, the PJA team have managed to return a reasonable profit and are positioning themselves for growth. In July 2010 the founder of PJA, Michael Punch retired, and was replaced by Nick Rudd, formerly with the Brisbane Airport Corporation. Although retired, Michael retains a

10% interest in the business, and leaves behind a strong and dedicated team developed over a number of years. We thank Michael for his efforts and support, and wish him well in his future endeavours.

Currently PJA is tendering for work throughout Brisbane city/ metropolitan area, north to the Sunshine Coast, south to the Gold Coast and west to Toowoomba. We are pleased to see the return of Paul Sadlier as head of facilities, who previously performed the role of facilities manager for 13 years until 2008, when he left to become start his own small maintenance business. Paul return with a wealth of experience and is allowing Nick to concentrate on management and marketing.

PJA's motto "Property Management is our only business" positions it well in a very competitive market where incentives are rife and information on lease expiry, and tenancy requirements is key. By not having dedicated leasing and sales agents on staff, not to mention valuers, the potential risk of client's property information being misused is minimized.



### Funding

Whilst presently meeting the covenants attached to our facilities, prudence dictated that we obtain greater tenure on borrowing facilities. Accordingly, we approached our financiers to obtain a variation and extension on facilities, with specific consideration being given to those covenants that face pressure from downwards valuations and increasing interest rates. Our bankers have agreed to extend our current facilities to 31 August 2011, subject to documentation. Meanwhile we are focussing on securing long-term financial facilities on favourable terms and conditions which will enable us to retain control of our assets, at a time when others face the prospect of quitting assets at the base of the market.

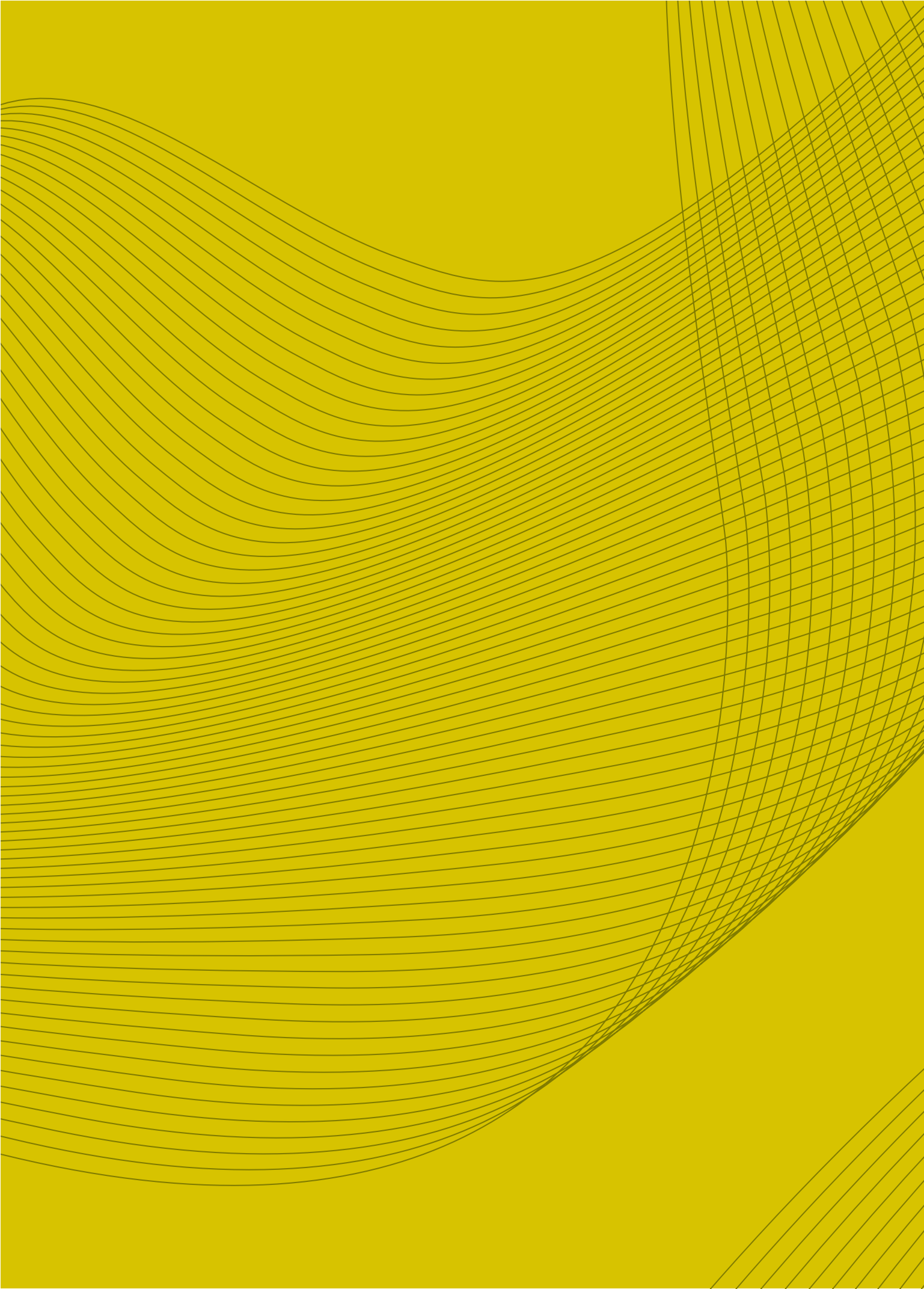
In the current market, we believe that the best interest of shareholders is not served by disposal 'en masse' of the group's assets. By strengthening the income streams and identifying the optimum future use of each asset, and working towards realisation of that potential, a greater comparative benefit will be delivered to shareholders in years to come.

### Future direction

The primary plan for Eumundi is to maximize returns on existing assets and have the company's share price truly reflect its net asset value. To achieve this, our focus is on leasing up vacancies in our properties and improving the performance of the Ashmore Tavern and PJA Property management business, while simultaneously exploring options to pursue further investment opportunities and realise the value of existing assets through increasing income, development, joint venture or sale.

The Board is conscious of shareholders desire to see an improving share price and potentially dividend payable and is motivated to see value recognized and restored to the company's assets, which will reflect in a significant share price improvement and access to capital to pursue growth opportunities.

**MARK PEACOCK**  
Managing Director  
30 September 2010





EUMUNDI GROUP

# [09 10]

FINANCIAL REPORT

## [ DIRECTORS' REPORT ]

Your directors present their report on the consolidated entity (referred hereafter as the group) consisting of Eumundi Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

### 1. DIRECTORS

The following persons were directors of the Eumundi Group Limited during the whole of the year and up to the date of this report:

J M Ganim  
G De Luca  
V A Wills  
M B Peacock (appointed  
2 September 2010)

### 2. PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the group consisted of:

- (a) the operation of the Ashmore Tavern;
- (b) the holding of investment properties; and
- (c) the management of commercial, industrial and retail property.

### 3. DIVIDENDS

No dividend was paid or declared by the group during or since the end of financial year ended 30 June 2010 (2009: \$nil).

### 4. REVIEW OF OPERATIONS

Comments on the operations and the results of those operations are set out below:

- (a) Eumundi has delivered a net loss after tax of \$3.482 million (\$4.990 million loss before tax) for 2010 compared with \$4.228 million loss after tax (\$6.050 million loss before tax) for the corresponding period in 2009. The current year result includes fair value decrements on investment properties of \$ 5.985 million. The prior year result included fair value decrements on investment properties of \$6.228 million and an impairment charge on assessment of management rights of \$0.547 million.
- (b) Revenues of \$19.82 million represent an increase of \$0.724 million in comparison to last year predominantly due to increased hotels sales and rental revenue from investment properties, offsetting reduced property management revenues.
- (c) Expenses for the year were \$24.977 million as compared to \$25.144 million for the corresponding period in 2009 with the decrease due to lower fair value decrements on the investment properties in 2010 \$5.985 million as compared to \$6.228 million in 2009 and the impairment of intangible assets (\$0.547 million) in the prior year's result.

### 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the group during the financial year.

### 6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As at 30 June 2010, the group had current liabilities totalling \$24,065,000 which included commercial bills of \$23,211,000 which, at balance date, were due to expire on 31 January 2011. Since balance date, the group has received confirmation from the bank that it will extend the term of the facilities to 31 August 2011, subject to documentation.

There are no other matters or circumstances that have arisen since 30 June 2010 that have significantly affected, or may significantly affect, the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years.

### 7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The group will continue to focus on improving existing assets and reducing debt levels, while continuing to search for appropriate investment opportunities that may exist in the current market where such investments will improve our asset portfolio.

In the opinion of the directors, any additional disclosure of information to that disclosed in the address and the financial statements or elsewhere in this report, would be likely to result in unreasonable prejudice to the group.

### 8. ENVIRONMENTAL REGULATION

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

## 9. INFORMATION ON DIRECTORS

### Joseph Michael Ganim Non-executive chairman

Mr Ganim is a founding partner of Hopgood Ganim, solicitors and notary, a leading Brisbane law firm. He is also a notary public. He graduated from the University of Queensland with a Bachelor of Laws degree in 1970, and is a solicitor of the Supreme Court of Queensland and the High Court of Australia. Mr Ganim joined the board as a non-executive director in 1989. Mr Ganim was also a director and audit committee chairman of Dark Blue Sea Limited, a company listed on ASX until his resignation in December 2009.

#### Special responsibilities:

Chairman  
Member of the audit committee

### Gilbert De Luca Non-executive director

Mr De Luca joined the board as a non-executive director in 1989. He is the principal of the De Luca group of companies and has a wide range of business experience in the property and construction fields overseeing the acquisition of investment and development properties by that group.

#### Special responsibilities:

Member of the audit committee

### Vernon Alan Wills Non-executive director

Mr Wills is chairman of Operating Entities for Enhance Group which includes Enhance Management Pty Ltd, a leading market research firm, Enhance Corporate, a corporate advisory company; Enhance Capital, a private investment company; and Enhance Media & Communications. Currently Mr. Wills is also chairman of the Australian International Training and Management Group since February 2009, director of GoTalk Ltd, director of the Greg Norman Golf Foundation, director of Careers Australia since January 2009, and was deputy chair of the Queensland Government's Major Sports Facilities Authority until his resignation in December 2007 and chairman of the ASX listed company Dark Blue Sea Limited until his resignation in December 2009.

#### Special responsibilities:

Chairman of the audit committee

### Mark Beauchamp Peacock Executive director

Mr Peacock accepted the role of managing director on 2 September 2010. Prior to joining Eumundi Group Limited as chief executive officer in March 2009, Mr Peacock was a partner of Hopgood Ganim, solicitors and notary, from 1983 to 2008, during which time he was, for a period, the managing partner. Throughout this time he specialized in a wide range of commercial related matters. He has extensive experience in reviewing and negotiating contracts and general advisory as well as being a proven advocate in problem solving and dispute resolution.

#### Special responsibilities:

Managing director

Except as noted above no director has been a director of another listed entity in the last 3 years.

## INTERESTS OF DIRECTORS

NAMES OF DIRECTORS	ORDINARY SHARES	OPTIONS
J M Ganim	14,893,935	-
G De Luca	7,986,311	-
V A Wills	-	-
M B Peacock	592,419	-

## 10. INFORMATION ON COMPANY SECRETARY

The company secretary at the end of the financial year was Ms Leni Stanley CA, B.Com. Ms Stanley holds similar positions with other companies and is currently a partner with a chartered accounting firm.

## 11. MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	Meetings held during the period whilst holding office	Meetings attended	Meetings held during the period whilst holding office	Meetings attended
J M Ganim	10	9	3	3
G De Luca	10	10	3	3
V A Wills	10	9	3	3

There were no other formally constituted committees of the board during the financial year.

## 12. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

### A. Principles used to determine the nature and amount of remuneration

The policy for determining the nature and amount of remuneration of board members and senior executives is as follows:

#### Executives

The board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure has two components; base pay and benefits such as superannuation and motor vehicle allowances. Currently no part of remuneration is linked to performance conditions. Upon retirement the executives are paid employee benefit entitlements accrued to date of retirement.

The remuneration policy for executives and other senior employees in terms of cost, market competitiveness and the linking of remuneration to the financial and operational performance of the company is continually reviewed.

Compensation in the form of cash bonuses is designed to reward key management personnel for meeting or exceeding financial and non-financial objectives. There are no fixed performance criteria. During the year the board assess the performance of individuals and where appropriate approve discretionary cash bonuses.

#### Non-executive directors

Fees and payments to non-executive directors reflect the financial status of the consolidated entity, and the demands that are made on, and the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the board and are set within the limits approved by shareholders. No retirement benefits are payable to non-executive directors.

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive director remuneration is determined within the aggregate directors' fee pool, which is periodically recommended for approval by shareholders. The latest determination was as an Annual General Meeting held on 24 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per annum. The actual amount paid during the financial year ended 30 June 2010 was \$160,000 (2009: \$160,000).

### Relationship to Performance

There are no direct links between key management personnel remuneration and group performance. Performance of the group over the last five years is as follows:

	2006	2007	2008	2009	2010
Profit/(loss) after tax attributable to members (\$'000)	4,211	2,427	1,860	(4,183)	(3,482)
Dividends paid (\$'000)	-	-	-	-	-
Share price at end of year	22¢	31¢	22¢	8¢	5¢

During the 2008 year the company bought back 14,268,989 shares for \$4,566,000 (32 cents per share).

## B. Details of remuneration

### Amounts of remuneration

Details of the remuneration of each director of Eumundi Group Limited and each of the key management personnel of the company and the consolidated entity for the year ended 30 June 2010 are set out in the following tables.

2010	SHORT TERM EMPLOYEE BENEFITS			POST- EMPLOY- MENT BENEFITS	SHARE BASED PAYMENTS		TOTAL \$
	CASH SALARY AND FEES \$	CASH BONUSES \$	NON- CASH BENEFITS \$	SUPERAN- NUATION \$	TERMI- NATION BENEFITS \$	OPTIONS \$	
<b>Directors</b>							
J M Ganim (Chairman – non-executive)	55,046	-	-	4,954	-	-	60,000
G De Luca (non-executive)	45,872	-	-	4,128	-	-	50,000
V A Wills (non-executive)	50,000	-	-	-	-	-	50,000
<b>Total</b>	<b>150,918</b>	<b>-</b>	<b>-</b>	<b>9,082</b>	<b>-</b>	<b>-</b>	<b>160,000</b>
<b>Other Key Management Personnel</b>							
M Peacock (chief executive officer)	185,539	-	2,165	14,461	-	-	202,165
L Stanley (Company Secretary)	15,000	-	-	-	-	-	15,000
S Jacobi-Lee (Chief Financial Officer)	156,002	-	-	13,998	-	-	170,000
<b>Total</b>	<b>356,541</b>	<b>-</b>	<b>2,165</b>	<b>28,459</b>	<b>-</b>	<b>-</b>	<b>387,165</b>

### 2009

#### Directors

J M Ganim (Chairman – Non-executive)	55,046	-	-	4,954	-	-	60,000
G De Luca (Non-executive)	45,872	-	-	4,128	-	-	50,000
V A Wills (Non-executive)	50,000	-	-	-	-	-	50,000
<b>Total</b>	<b>150,918</b>	<b>-</b>	<b>-</b>	<b>9,082</b>	<b>-</b>	<b>-</b>	<b>160,000</b>

#### Other Key Management Personnel

M Peacock <sup>(2)</sup> (chief executive officer)	46,591	-	-	4,100	-	-	50,691
I Thomson <sup>(1)</sup> (Chief Executive Officer)	163,091	-	4,247	11,223	24,230	-	202,791
L Stanley (Company Secretary)	15,000	-	-	-	-	-	15,000
S Jacobi-Lee (Chief Financial Officer)	156,795	-	1,681	13,205	-	-	171,681
<b>Total</b>	<b>381,477</b>	<b>-</b>	<b>5,928</b>	<b>28,528</b>	<b>24,230</b>	<b>-</b>	<b>440,163</b>

(1) I Thomson resigned as chief executive officer on 13 March 2009

(2) M Peacock was appointed chief executive officer on 13 March 2009

There were no other executives in the current or prior year.

### **C. Service agreements**

#### **M Peacock**

(Managing Director)

Mr Peacock receives a salary package of \$210,000 pa inclusive of superannuation, and 1 month notice is required in the event of termination.

Subsequent to year end, Mr Peacock was appointed managing director on 2 September at which time his salary package was increased to \$210,000 inclusive of superannuation.

#### **L Stanley**

(Company Secretary)

Ms Stanley is paid for company secretarial and accounting services through a partnership of which she is a member based on normal commercial terms and conditions. This agreement can be terminated by either party with 14 days notice.

#### **S Jacobi-Lee**

(Chief Financial Officer)

Ms Jacobi-Lee receives a salary package of \$170,000 pa inclusive of superannuation, and 3 months notice is required in the event of termination.

### **D. Share-based compensation**

There have been no share based payment benefits, vested or exercised, or granted as compensation during the year (2009: nil).

### **13. SHARES UNDER OPTION**

There are no unissued ordinary shares of Eumundi Group Limited under option at the date of this report.

### **14. SHARES ISSUED ON EXERCISE OF OPTIONS**

No options have been exercised during the year and up to the date of this report.

### **15. INSURANCE OF OFFICERS**

During the financial year, Eumundi Group Limited paid a premium to insure the directors and secretary of the company and its Australian based controlled entities, and the executives of the consolidated entity. The policy prohibits disclosure of details of the cover and the amount of premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to insurance against legal costs and those relating to other liabilities.

### **16. 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 to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### **17. NON-AUDIT SERVICES**

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (Johnston Rorke) for audit and non-audit services provided during the year are provided below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is 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 satisfied that the provision of non-audit services by the auditor, as set out below, did 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 committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	2010 \$	2009 \$
<b>Johnston Rorke (current auditor)</b>		
Audit services	59,500	51,000
Taxation compliance services	13,700	22,000
Total remuneration – Johnston Rorke	73,200	73,000

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

#### 18. ROUNDING OF AMOUNTS

This company is a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



**J M Ganim**  
Director

Dated at Brisbane this 30th day of September 2010.

The Directors  
Eumundi Group Limited  
Level 15, 10 Market St  
BRISBANE QLD 4000

### Auditor's Independence Declaration

As lead auditor for the audit of Eumundi Group Limited for the financial year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Eumundi Group Limited and the entities it controlled during the period.

**JOHNSTON RORKE**  
Chartered Accountants



**K. A. HAIDUK**  
Partner

Brisbane, Queensland  
30 September 2010

This statement and information identified therein is available on the company's website at [www.eumundi-ltd.com.au](http://www.eumundi-ltd.com.au) under the *Company policies and charters* section.

## Introduction

The board has embraced the principles and recommendations of the ASX Corporate Governance Council ('ASX recommendations') and has corporate governance practices in keeping with today's shareholder expectations, but tailored to suit the company given its size and scope of operations.

These practices, which are outlined in this statement, have been in place for a number of years. To assist with adherence to the practices the board has a committee responsible for auditing and risk management and has documented a number of policy statements and charters including:

- Board charter
- Audit and risk committee charter
- Code of conduct
- Directors ethics policy.

These documents, together with other relevant information on corporate governance including the ASX recommendations, have been made available on the company's website: [www.eumundi-ltd.com.au](http://www.eumundi-ltd.com.au).

The board is committed to a philosophy of prudent business management designed to create long-term shareholder wealth. They believe the establishment of, and adherence to, sound corporate governance practices can assist in this process although some areas of the ASX recommendations are considered not necessarily appropriate for the company at this time given its size and scope of operations.

In this statement the board outlines the practices it has introduced and how, and the extent to which, they follow the ASX recommendations.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles of board and management.

*Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The board has overall responsibility for the good governance of the company and is accountable to shareholders for the company's performance. The board is responsible for:

- charting the direction, strategies and financial objectives for the group and monitoring the implementation of those policies, strategies and financial objectives;
- monitoring compliance with regulatory compliance and ethical standards;
- ensuring the group has documented policies in place with respect to corporate governance principles and best practice that are commensurate with its operations;
- appointing and reviewing the performance of the managing director; and
- appointing and reviewing the performance of material advisers or external managers.

In performing these responsibilities the board acts at all times in a manner designed to create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed upon them by the Constitution and by law.

In addition to the matters expressly required by law to be approved by the board, powers specifically reserved for the Board are as follows:

- appointment of the managing director and determination of his or her employment terms and conditions (including remuneration);
- appointment of direct reports to the managing director;
- any matters in excess of discretions that may have, from time to time, been delegated to the managing director and material advisers or external managers in relation to credit transactions, market risk limits and expenditure; and
- approvals of each of the following:
  - The strategic plan at least annually;
  - The budget and strategic plan, at least annually;
  - The remuneration and conditions of service including financial incentives for any executive directors, at least annually;
  - Significant changes to organisational structure and the appointment of such senior officers as the board may determine;
  - The acquisition, establishment, disposal or cessation of any significant business or assets of the group;
  - The issue of any shares, options, equity instruments or other securities in the group;
  - Any public statements which reflect significant issues of the group's policy or strategy;
  - Any changes to the discretions delegated from the board; and
  - The terms of all significant agreements.

The Board has a specific responsibility to:

- Monitor and assess management's performance in achieving any strategies and budgets approved by the board;
- Set criteria for, and evaluate at least annually, the performance of the managing director;
- Set criteria for, and evaluate at least annually, the performance of material advisers or external managers;
- Clarify the respective roles and responsibilities of board members and management;
- Clarify the respective roles of board members and management; and
- Review on a regular and continuing basis:
  - Executive and succession planning (in particular for the managing director); and
  - Executive development activities.

## [ CORPORATE GOVERNANCE STATEMENT ]

### CONTINUED

Within this context a board charter has been established, detailing the philosophy, values and functions of the Board. This charter is published on the company's website.

The board recognises that in a small dynamic organisation like the company with a very small board and compressed management structure, the relationships among directors, and particularly the relationship between the board and the managing director, cannot be fully regulated in the interests of the company's on-going performance. Compliance with this recommendation therefore must also be considered in the context of this structure lending itself to often daily contact between members of the board and the managing director and between board members themselves.

*Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.*

The chairman undertakes an informal assessment of executive management from time to time. The board's principal benchmark is the company's financial performance year-on-year and compared to similar organisations. For the managing director, performance objectives are discussed in conjunction with successes and failures rather than taking place at specified assessment times.

#### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

*Recommendation 2.1: A majority of the board should be independent directors.*

In the 2010 year the company did not comply fully with this recommendation. The group is committed to having a board whose members have the capacity to act independently of management, and have the collective skills necessary to optimise the long-term financial performance of the group.

The group has developed criteria for determining the independence of its board members. A director is considered to be independent if he or she:

- Is not a substantial securityholder of Eumundi Group Limited or of a company holding more than 5% of Eumundi's voting securities, or an officer of or directly or indirectly associated with a securityholder holding more than 5% of the group's voting securities;
- Is not and has not within the last three years been an employee of the group;
- Is not a principal of a material supplier or customer of the group, or an officer of, or directly or indirectly associated with, a significant supplier or customer;
- Has no material contractual relationship with the group or any of its associates other than as a director of the group; or
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of the group and independently of management.

In this context, the board considers that any director-related business relationship that is or is likely in the future to be more than 10% of the director-related business's revenue to be material. All directors are required to act in the best interest of Eumundi at all times.

At the present time the board is comprised of three non-executive directors, one of whom is an independent director, and the managing director. For each director, his qualifications, experience, special responsibilities, term in office and attendances at board meetings are detailed in the directors' report. The board believes it brings a wealth of relevant practical experience to the company and they all have a significant vested interest in ensuring proper governance.

Apart from the managing director, the board members would be regarded as independent other than their interest as significant company shareholders. It is believed that this substantial shareholding actually provides directors with a strong incentive to ensure that their judgement is not clouded in board deliberations, as the outcome (indirectly) impacts on them as much as, or even more than most other shareholders.

With this and other circumstances in mind the board distinguishes between the concept of independence and the issues of conflict of interest or material personal interests that may arise from time-to-time. Whenever there is an actual or potential conflict of interest or material personal interest, the board's policies and procedures ensure that:

- the interest is fully disclosed and the disclosure is recorded; and
- the relevant director is excluded from all considerations of the matter by the board, unless the other directors unanimously otherwise decide.

If considered warranted, the board may resolve to obtain independent professional advice about the execution of board responsibilities at the company's expense. Where appropriate such advice is shared with the other directors.

Given the specialised nature of the hotel and property/other investments industry, it is not easy for a company of this size to find suitably qualified person(s) to appoint to the board who comply fully with the independence test.

*Recommendation 2.2: The chairperson should be an independent director.*

The board considers that, at the present time, the company's interests are best served by having Mr J.M. Ganim, as its chairman. Mr Ganim has a substantial interest in the company's shares but is not an executive of the company and for the reasons outlined in *Recommendation 2.1* that shareholding may be seen as beneficial to the interests of all shareholders.

Ultimately shareholders will determine if the current mix of directors and the position of chairperson is unacceptable.

*Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.*

The company complies with this recommendation. The managing director, Mr M Peacock, is not chairperson.

*Recommendation 2.4: The board should establish a nomination committee.*

It is reasonable for a small size board like the company's to be accountable for their own appointments and reappointments. The full board performs the functions of a nomination committee and regularly reviews board membership. This includes an assessment of the necessary and desirable competencies of directors, board succession plans, evaluation of the board's performance and consideration of appointments and removals. Whilst directors are not appointed for specific terms, their periods in office are regularly reviewed.

When a director vacancy occurs, the board identifies the particular skills, experience and expertise that will best complement board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

*Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The chairman undertakes an informal review of individual board member performance from time to time together with an assessment of external managers. The board's principal benchmark is the company's financial performance year-on-year and compared to similar organisations.

For the board itself, a "whole of board" informal evaluation process has been adopted.

### **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

Companies should actively promote ethical and responsible decision-making.

*Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:*

- 3.1.1 The practices necessary to maintain confidence in the company's integrity;*
- 3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- 3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The board supports the requirement for directors and employees to observe the high standards of behaviour and business ethics that already exist in the company through practices and policies ingrained over time. All directors, managers and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the company.

The company has a formal corporate ethics policy for directors, setting out the obligations of the board in relation to trading in the company's shares, continuous disclosure, fiduciary duties, related party transactions, integrity of accounts and risk management. The code of conduct addresses trading in the company's shares as well as other ethical issues and responsibilities and whereby this covers directors, all employees and significant external managers.

Employees are encouraged and participate in appropriate training programs covering such areas as workplace health and safety and programs peculiar to the company's activities. The code of conduct is made available to all employees and is permanently on display in each workplace.

The corporate ethics policy for directors and the code of conduct are available on the company's website.

*Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives, and employees, and disclose that policy or a summary of that policy.*

The board has written guidelines, set out in the corporate ethics policy and code of conduct that restrict dealings by all directors and employees in the company's shares and provides an understanding of insider trading and issues relative to price-sensitive information.

The company's policy regarding dealings by directors and employees in the company's shares is that they should never engage in short term trading. They should not enter into transactions when they are in possession of price sensitive information not yet released by the company to the market, or a period of twenty-one (21) days prior to release by the company of half yearly and annual reports, or such shorter period as may be approved of by the board. Other periods when directors and employees cannot trade in shares include the period two (2) business days after the release of half yearly and annual reports to the market and three (3) business days after the release of price sensitive information.

These guidelines, contained in the corporate ethics policy and code of conduct, are published on the company's website.

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

*Recommendation 4.1: The board should establish an audit committee.*

The company has an audit and risk management committee and the number of meetings of the committee held during the 2010 year is set out in the Directors' Report.

*Recommendation 4.2: Structure the audit committee so that it:*

- *consists only of non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the board; and*
- *has at least three members.*

## [ CORPORATE GOVERNANCE STATEMENT ]

### CONTINUED

In 2010 the committee comprised Mr. V.A. Wills (chairman), Mr. J.M. Ganim and Mr G. De Luca. Audit committee meetings are attended, by invitation, by the engagement partner (or their nominee) from the company's external auditor and such other senior staff or professional people as may be appropriate from time to time.

*Recommendation 4.3: The Audit committee should have a formal charter.*

The committee operates under formal terms of reference (charter) approved by the board, which is reviewed annually. The board charter encompasses the role and responsibilities relating to audit matters along the lines set out in the ASX guidelines.

The external auditor, Johnston Rorke, has declared its independence to the board and has confirmed that the audit partner will be rotated in accordance with the Corporations Act and relevant independence requirements. The committee has examined material provided by the external auditor and is satisfied that the standards for auditor independence and associated issues are complied with.

On account of the small size of the board this charter also extends to risk management and compliance. The audit and risk management committee charter is available on the company's website.

#### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

Companies should promote timely and balanced disclosure of all material matters concerning the company.

*Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The company has a written disclosure policy contained within the directors' corporate ethics policy titled *the Company's Obligation of Disclosure* that complies with the recommendation. This policy ensures that the company complies not only with its obligations at law and under the ASX listing rules, but with best practice as it has evolved in recent years.

The company secretary has been designated as the person responsible for communications with the ASX including to ensure compliance with the continuous disclosure requirements in the listing rules and overseeing information going to the ASX, shareholders and other interested parties. All key announcements are vetted by the company's legal advisors prior to announcement. All announcements are transmitted to the board and the external auditor's designated audit partner upon release. The matter of continuous disclosure is a permanent item on the agenda for all board meetings.

Authority to speak about the company's affairs to the media, brokers, analysts or investors is restricted to the chairman and managing director.

All directors have obligations outlined in the directors' corporate ethics policy to keep the company promptly informed of any personal or related interests in securities trading and contracts relevant to securities. The company, in turn, promptly reports such trading to the ASX.

All announcements made to the ASX by the company are also published on the company's website.

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

*Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

A board approved general communications strategy has been designed and implemented to not only comply with the ASX guidelines, but to generate and foster a long-term close association with shareholders and investors.

The company aims to keep shareholders informed of the company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);
- other correspondence regarding matters impacting on shareholders as required; and
- for matters of importance attempts at direct contact being made with majority shareholders by telephone.

All documents that are released publicly are made available on the company's website. A notice inviting shareholders to use this website has been circulated with the Annual Report since the 2002 year.

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the company's strategies and goals.

#### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

Companies should establish a sound system of risk oversight and management and internal control.

*Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The company places a high priority on risk management and identification throughout the group's operations and regularly reviews its adequacy. A risk control program has been developed which includes legislative compliance. On account of the small size of the board the functions of audit committee and risk management committee are combined and operate under the same audit and risk management committee charter.

*Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and to report to it on whether those risks are being managed effectively.*

The company adopts a rigorous approach to understanding and proactively managing the risks Eumundi faces in its business. Eumundi recognises taking business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long term value for securityholders and meeting commitments to Eumundi's employees, tenants, customers, business partners, consultants and the communities in which it does business.

The company's system of risk management is integrated with its day-to-day business processes and functional responsibilities. Management is responsible for the design and implementation of the risk management framework and for adapting it to changes in the business and the external environment in which Eumundi operates. Business units are responsible for integrating the risk management framework within their business processes and systems.

The board is responsible for satisfying itself that management has in place a sound system for the management and internal control of material business risks. The board is assisted in this function by the audit and risk committee. The ongoing monitoring of risks by executive management is achieved through regular reports and briefings from the business units. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts.

*Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management & internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.*

This is a standing board requirement and such written confirmations have been received.

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective system will preclude the possibility of errors, mistakes and irregularities.

For these reasons, and in view of its size, the company relies on its management, under the control of the board, to perform internal audit functions. This is done in regular consultation with, but independent of, the external auditor. The managing director attends all board meetings and meetings of the audit and risk management committee and provides appropriate reports.

#### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear.

*Recommendation 8.1: The board should establish a remuneration committee.*

Given the size of the company and the number of directors on the board, it is not practical to establish a separate remuneration committee. It is reasonable that the board be accountable for setting their own remuneration and that of senior executives where the above formal remuneration policy is available to shareholders.

*Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The board comprises three non-executive directors and the managing director whose remuneration is set out in the relevant section of the Annual Report. Details of the nature and amount of each element of the remuneration of each director of the company and the key management personnel of the company are disclosed in the relevant section of the Annual Report. As outlined in the remuneration policy there is no retirement benefit scheme for directors other than payment of statutory superannuation.

**[ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ]**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated 2010 \$'000	2009 \$'000
<b>Revenue</b>	5	19,818	19,094
Other income	6	170	-
<b>Expenses</b>			
Purchase of inventories		(7,694)	(8,011)
Change in inventories		(257)	285
Employee benefits expense		(3,220)	(3,092)
Depreciation and amortisation		(528)	(610)
Insurance		(70)	(81)
Operating lease rentals		(340)	(297)
Rates and taxes		(96)	(84)
Outgoings – investment properties		(989)	(770)
Net loss on fair value adjustment -investment properties	17	(5,985)	(6,228)
Impairment charge – management rights	19	-	(547)
Gaming machine tax		(1,525)	(1,532)
Finance costs		(2,415)	(2,438)
Other expenses		(1,859)	(1,739)
Total expenses	7	(24,978)	(25,144)
<b>Loss before income tax</b>		(4,990)	(6,050)
Income tax benefit	8	1,508	1,822
<b>Loss for the year</b>		<u>(3,482)</u>	<u>(4,228)</u>
<b>Other comprehensive income*</b>			
Fair value gains on available-for-sale financial assets		(114)	39
Fair value revaluation of land and buildings		(2,552)	(2,256)
Income tax on items of other comprehensive income		800	665
Other comprehensive income for the period, net of tax		<u>(1,866)</u>	<u>(1,552)</u>
<b>Total comprehensive income for the year</b>		<u><b>(5,348)</b></u>	<u><b>(5,780)</b></u>
<b>Loss for the year is attributable to:</b>			
Non-controlling interest		(10)	(45)
Owners of the parent		(3,472)	(4,183)
		<u>(3,482)</u>	<u>(4,228)</u>
<b>Total comprehensive income for the year is attributable to:</b>			
Non-controlling interest		(10)	(45)
Owners of the parent		(5,338)	(5,735)
		<u>(5,348)</u>	<u>(5,780)</u>
<b>Earnings per share for loss attributable to the owners of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	37	(4.90)	(5.89)
Diluted earnings per share	37	(4.90)	(5.89)

\*The 2009 comparative has been represented to exclude fair value revaluation on gaming machine licences through other comprehensive income (refer note 19)

The above consolidated statement of comprehensive income is to be read in conjunction with the attached notes.

**[ CONSOLIDATED STATEMENT OF FINANCIAL POSITION ]**  
**AS AT 30 JUNE 2010**

		<b>Consolidated</b>		
	<b>Notes</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9	751	1,259	1,256
Trade and other receivables	10	412	441	406
Inventories	11	1,551	1,295	1,580
Available-for-sale financial assets	12	-	239	101
Current tax asset		43	39	-
Other assets	13	358	207	110
<b>TOTAL CURRENT ASSETS</b>		<b>3,115</b>	<b>3,480</b>	<b>3,453</b>
<b>NON-CURRENT ASSETS</b>				
Other receivables	14	138	271	397
Available-for-sale financial assets	15	83	108	207
Property, plant and equipment	16	7,783	10,200	12,292
Investment properties	17	42,830	47,585	48,253
Deferred tax assets	18	881	-	-
Intangible assets	19	896	1,078*	1,882*
Other assets	20	117	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>52,728</b>	<b>59,242</b>	<b>63,031</b>
<b>TOTAL ASSETS</b>		<b>55,843</b>	<b>62,722</b>	<b>66,484</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21	1,918	2,044	1,875
Borrowings	22	23,211	23,686	600
Current tax liabilities		-	-	54
Provisions	23	289	285	262
<b>TOTAL CURRENT LIABILITIES</b>		<b>25,418</b>	<b>26,015</b>	<b>2,791</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	24	17,872	17,347	36,016
Deferred tax liabilities	25	-	1,452	3,990
Provisions	26	-	7	6
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>17,872</b>	<b>18,806</b>	<b>40,012</b>
<b>TOTAL LIABILITIES</b>		<b>43,290</b>	<b>44,821</b>	<b>42,803</b>
<b>NET ASSETS</b>		<b>12,553</b>	<b>17,901</b>	<b>23,681</b>
<b>EQUITY</b>				
Contributed equity	27	8,695	8,695	8,695
Reserves	28(a)	2,180	4,046*	5,598*
Retained profits	28(b)	1,587	5,059	9,242
Parent entity interest		12,462	17,800	23,535
Minority interest		91	101	146
<b>TOTAL EQUITY</b>		<b>12,553</b>	<b>17,901</b>	<b>23,681</b>

\*The 2008 and 2009 comparatives have been represented to exclude gaming machine licences previously included at fair value in intangible assets (refer note 19)

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

**[ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ]**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Contrib- uted equity	Reval- uation surplus	Retained earnings	Attribut- able to the owners of the parent	Non- control- ling interest	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2008</b>		8,695	5,598*	9,242	23,535	146	23,681
Loss for the period		-	-	(4,183)	(4,183)	(45)	(4,228)
Changes in fair value of available-for-sale financial assets - gross	12,15	-	39	-	39	-	39
Loss on revaluation of land and buildings - gross	16	-	(2,256)	-	(2,256)	-	(2,256)
Income tax relating to components of other comprehensive income	8	-	665	-	665	-	665
Total comprehensive income for the period		-	(1,552)	(4,183)	(5,735)	(45)	(5,780)
<b>Balance at 30 June 2009</b>		8,695	4,046*	5,059	17,800	101	17,901
Loss for the period		-	-	(3,472)	(3,472)	(10)	(3,482)
Changes in fair value of available-for-sale financial assets - gross	12,15	-	(31)	-	(31)	-	(31)
Reclassification adjustments - transfer to profit or loss - gross	28	-	(83)	-	(83)	-	(83)
Loss on revaluation of land and buildings - gross	16	-	(2,552)	-	(2,552)	-	(2,552)
Income tax relating to components of other comprehensive income	8	-	800	-	800	-	800
Total comprehensive income for the period		-	(1,866)	(3,472)	(5,338)	(10)	(5,348)
<b>Balance at 30 June 2010</b>		8,695	2,180	1,587	12,462	91	12,553

\*The 2008 and 2009 comparatives have been represented to exclude gaming machine licences previously included at fair value in intangible assets (refer note 19)

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

**[ CONSOLIDATED STATEMENT OF CASH FLOWS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Consolidated 2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		21,766	21,177
Payments to suppliers and employees		(18,559)	(17,734)
Interest received		27	53
Finance costs		(2,465)	(2,170)
Income tax paid		(30)	(145)
Receipts from other debtors		150	150
<b>Net cash inflows from operating activities</b>	35	889	1,331
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investment properties		(1,087)	(5,239)
Payments for property, plant & equipment		(765)	(239)
Proceeds from disposal of property, plant and equipment		124	-
Proceeds from disposal of available-for-sale financial assets		231	-
<b>Net cash outflows from investing activities</b>		(1,497)	(5,478)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		800	5,350
Repayment of borrowings		(700)	(1,200)
<b>Net cash inflows from financing activities</b>		100	4,150
<b>Net increase/(decrease) in cash and cash equivalents</b>		(508)	3
Cash and cash equivalents at beginning of year		1,259	1,256
<b>Cash and cash equivalents at end of year</b>	9	751	1,259

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

## [ NOTES TO THE FINANCIAL STATEMENTS ] FOR THE YEAR ENDED 30 JUNE 2010

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity of Eumundi Group Limited and its subsidiaries. Separate financial statements of Eumundi Group Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. Limited financial information for the parent entity, however, is disclosed in note 29. It has been prepared on the same basis as the consolidated financial statements, as set out below.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### *Compliance with IFRS's*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial statements and the notes of Eumundi Group Limited comply with the International Financial Reporting Standards (IFRSs).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

##### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant are disclosed in note 3.

##### *Financial statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been represented so that there is conformity with the revised standard.

#### (b) Principles of consolidation

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Eumundi Group Limited.

**1. Summary of significant accounting policies (continued)**

**(b) Principles of consolidation (continued)**

*(ii) Changes in ownership interests*

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Eumundi Group Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

*(iii) Changes in accounting policy*

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating the resources and assessing the performance of the operating segments, has been identified as the board of directors.

*Change in accounting policy*

The group has adopted AASB *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There is no change to the number of reportable segments presented. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Certain items of revenue, expense, assets and liabilities are not allocated to the operating segments as they are not considered part of the core operations of any segment. These items include fair value adjustments, financing costs and corporate overheads. There has been no other impact on the measurement of the group's assets and liabilities. Comparatives for 2009 have been restated.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**1. Summary of significant accounting policies (continued)**

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Eumundi Group Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

Revenue from gaming machines is recognised on the basis of daily takings.

Revenue from management services is recognised as the services are performed.

Interest revenue is recognised as the interest accrues (using the effective interest rate method).

**(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**1. Summary of significant accounting policies (continued)**

**(f) Income tax (continued)**

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. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Investment allowances*

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

*Tax consolidation legislation*

Eumundi Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Eumundi Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Eumundi Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contributions to (or distributions from) wholly-owned tax consolidated entities.

**(g) Leases**

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (note 17). The respective leased assets are included in the statement of financial position based on their nature.

**1. Summary of significant accounting policies (continued)**

**(h) Business combinations**

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expended as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exception, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference has been recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

*Change in accounting policy*

A revised AASB *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition related costs are expensed as incurred. Previously they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the deferred tax asset will increase the group's net profit after tax.

As these changes were implemented prospectively from 1 July 2009, there is no change to the accounts of the group as a result of this change in accounting policy.

**(i) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows from other assets or group's of assets (cash generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**1. Summary of significant accounting policies (continued)**

**(k) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables, excluding the amounts owing by Foster's Group Limited and subsidiaries, are due for settlement no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase after deducting trade discounts, rebates, and other similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(m) Investments and other financial assets**

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

The group holds no financial assets at fair value through profit or loss.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets.

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the period end.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

The group assesses at each period end whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**1. Summary of significant accounting policies (continued)**

**(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the period end date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

**(o) Property, plant and equipment**

Land and buildings (except for investment properties – refer to note 1(p)) are shown at fair value, based upon periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based upon the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	40 years
Plant and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

**p) Investment property**

Investment property, principally comprising freehold retail buildings, is held for long-term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open-market value determined by external valuers or an internal valuation process. Changes in fair value are recorded in profit or loss as part of other income or as a separate expense (as appropriate).

**1. Summary of significant accounting policies (continued)**

**(q) Intangible assets**

*(i) Hotel licences*

Hotel licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives of 50 years.

*(ii) Management rights*

Management rights were acquired as part of a business combination. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the expected average period that the underlying contracts are expected to be retained which is currently 8 years.

*(iii) Gaming licences*

Gaming licences have an infinite useful life and are carried at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(i).

**(r) Trade and other payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost.

These amounts represent liabilities for goods and services provided to the group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(s) Employee benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

*(ii) Other long-term benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Retirement benefit obligations*

The group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

*(iv) Share-based payments*

Share-based compensation benefits are provided to employees from time to time.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**1. Summary of significant accounting policies (continued)**

**(t) 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 the profit or loss over the period of the borrowings using the effective interest method.

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 end of the reporting period.

**(u) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity re-acquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss for the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

**(v) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing profit or loss attributable to 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 period, adjusted for bonus elements in ordinary shares issued during the period.

*(ii) 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.

**(w) 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 year but not distributed at period end.

**(x) Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

**(y) Goods and services tax (GST)**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

**1. Summary of significant accounting policies (continued)**

**(z) Rounding of amounts**

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(aa) New accounting standards and interpretations**

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2010, are as follows:

Standard/Interpretation	Application date of standard*	Application date for the group*
AASB 124 <i>Related Party Disclosures – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 July 2011	1 July 2011
AASB 9 <i>Financial Instruments – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2013	1 July 2013
AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2010	1 July 2010
AASB 2009-8 <i>Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions</i>	1 January 2010	1 July 2010
AASB 2009-10 <i>Amendments to Australian Accounting Standards – Classification of Rights Issues</i>	1 February 2010	1 July 2010
AASB 2010-3 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2010	1 July 2010
AASB 2010-4 - <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2010	1 July 2010
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	1 July 2010

\* Application date is for annual reporting periods beginning on or after the date shown in the above table.

The directors anticipate that the adoption of these standards and interpretations in future periods may have the following impacts:

- *AASB 124* – These amendments apply retrospectively and remove the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. When the amendments are applied the group will need to disclose any transactions between its subsidiaries and associates. As the group is yet to put systems in place to capture the necessary information, it is yet to assess the impact, if any, of the amendment on the related party disclosures. There will be no impact on any amounts recognised in the financial statements.
- *AASB 9* – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation of those accumulated changes in value are not recycled to profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in profit or loss. The group is yet to assess the impact of the new standard.
- *AASB 2009-5* – These amendments affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements.
- *AASB 2009-8* - AASB 2009-8 introduces amendments to incorporate the requirements previously included in Interpretation 8 and Interpretation 11. The amendments require an entity that receives goods and services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments are not expected to have a significant impact on the financial statements.
- *AASB 2009-10* – Clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to have any significant impact on the financial statements.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**1. Summary of significant accounting policies (continued)**

**(aa) New accounting standards and interpretations (continued)**

- *AASB 2010-3 and AASB 2010-4* - These amendments introduce various changes to IFRSs. The directors have not yet assessed the impact of the amendments, if any.
- *Interpretation 19* - This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It is not expected to have any impact on the group's financial statements since it only retrospectively applied from beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

**(ab) General**

This financial report covers consolidated entity consisting of Eumundi Group Limited and its controlled entities.

Eumundi Group Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal places of business are:

Principal places of business:

- Ashmore Tavern, Cnr of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Unit 3B Logan Court, 2092 Logan Rd, Upper Mt Gravatt Qld 4122
- Level 15, 10 Market Street, Brisbane Qld 4000

Registered office:

- Level 8, 1 Eagle Street, Brisbane Qld 4000

**2. Financial risk management**

The group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk management is carried out by management under policies approved by the board of directors. The board provides principles for overall risk management as well as policies covering specific areas such as mitigating interest rate and credit risks and investing excess liquidity.

The group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Cash and cash equivalents*	751	1,259
Trade and other receivables*	550	712
Available-for-sale financial assets	83	347
	<u>1,384</u>	<u>2,318</u>
<b>Financial liabilities</b>		
Trade and other payables**	1,918	2,044
Borrowings**	41,083	41,033
	<u>43,001</u>	<u>43,077</u>

\*Loans and receivables category

\*\* Financial liabilities at amortised cost category

Refer to note 24(a) for information on assets pledged as security by the group.

## 2. Financial risk management (continued)

### (a) Market risk

#### *Currency risk*

The group has no exposure to currency risk.

#### *Price risk*

The group is exposed to equity securities price risk. This arises from investments held by the group and classified on the statement of financial position as available-for-sale. The price risk for listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. The group is not exposed to commodity price risk.

#### *Interest rate risk*

The group's interest rate risk primarily arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. The group maintains a mix of both fixed and variable borrowings to limit exposure. No hedging instruments are used.

The group manages its exposure to interest rate risks through a formal set of policies and procedures approved by the board. The group does not engage in any significant transactions which are speculative in nature.

As at the end of each reporting period, the group had the following variable rate borrowings outstanding:

	<b>30 June 2010</b>		<b>30 June 2009</b>	
	<b>Weighted average interest rate</b>	<b>Balance \$'000</b>	<b>Weighted average interest rate</b>	<b>Balance \$'000</b>
Bills payable	7.19%	41,083	4.06%	41,033

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for the liabilities that represent the major interest bearing positions.

#### *Sensitivity*

At 30 June 2010, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$285,000 lower/higher (2009 – change of 100 bps: \$280,000 lower/ higher), mainly as a result of a change in interest expense from borrowings.

### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to receivables. The maximum credit risk exposure is represented by the carrying amount of assets in the Statement of financial position, net of any provisions for losses.

The group extends credit only to recognised, creditworthy third parties. In addition, receivables balances are monitored on a continual basis. The group's exposure to bad debts is not significant.

The group had no significant concentrations of credit risk from any single debtor or group of debtors at balance date with the exception of an amount of \$288,000 (2009: \$421,000) included in other receivables disclosed in notes 10 and 14.

Creditworthiness of potential tenants is established through the review of applicants credit history and financial position. Security in the form of deposits, bank guarantees and third party guarantees is obtained which can be called upon if the counterparty is in default under the terms of the lease agreement.

At period end cash and deposits were held with the National Australia Bank.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding through the use of bank overdrafts, commercial bill facilities, and finance leases.

As at 30 June 2010, 56.5% of the group's debt will be payable in the next 12 months (2009: 57.7%). The group is involved in negotiations with its lender to extend the term of the commercial bill facilities totalling \$24,065,000 (drawn at \$23,300,000 face value as at 30 June 2010). The commercial bill facilities are due to expire on 31 January 2011. The group has received an offer from the bank to extend the facilities to 31 August 2011 subject to documentation (refer note 24).

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**2. Financial risk management (continued)**

**(c) Liquidity risk (continued)**

*Maturity of financial liabilities*

The tables below analyse the group's financial liabilities into relevant maturity groupings based upon the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Cash flows are managed on a daily basis to ensure adequate funds are available to pay liabilities as they come due while minimising the use of credit facilities.

<b>At 30 June 2010</b>	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total contract- ual cash flows</b>	<b>Carrying amount</b>
<b>Non-derivatives</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
Trade and other payables	1,918	-	-	-	-	1,918	1,918
Commercial bills	1,982	23,585	1,290	18,181	-	45,038	41,083
<b>Total</b>	<b>3,900</b>	<b>23,585</b>	<b>1,290</b>	<b>18,181</b>	<b>-</b>	<b>46,956</b>	<b>43,001</b>

<b>At 30 June 2009</b>	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total contract- ual cash flows</b>	<b>Carrying amount</b>
<b>Non-derivatives</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
Trade and other payables	2,044	-	-	-	-	2,044	2,044
Commercial bills	836	24,182	703	18,162	-	43,883	41,033
<b>Total</b>	<b>2,880</b>	<b>24,182</b>	<b>703</b>	<b>18,162</b>	<b>-</b>	<b>45,927</b>	<b>43,077</b>

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, Eumundi Group Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the group's assets measured and recognised at fair value at 30 June 2010. The group did not have any financial liabilities measured and recognised at fair value. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

<b>Consolidated As at 30 June 2010</b>	<b>Level 1 \$000's</b>	<b>Level 2 \$000's</b>	<b>Level 3 \$000's</b>	<b>Total \$000's</b>
<b>Assets</b>				
Available-for-sale financial assets				
Equity securities	-	83	-	83
<b>Total assets</b>	<b>-</b>	<b>83</b>	<b>-</b>	<b>83</b>

The fair value of unlisted equity securities included in available-for-sale financial assets is the most recent sale price of the securities.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

### **3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the group within the next financial year are discussed below.

The group has investment properties with a carrying amount of \$42,830,000 (2009: \$47,585,000), and land and buildings (included in property, plant & equipment) with a carrying amount of \$7,000,000 (2009: \$9,475,000) representing estimated fair value. These carrying amounts are based upon either independent valuations or on directors' valuations. Certain key assumptions in the directors' valuations are supported by external opinions as at 30 June 2010.

The fair value is the price at which the property could be exchanged between knowledgeable willing parties, in an arms length transaction. A "willing seller" is not a forced seller prepared to sell at any price. Best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In determining the fair value of investment properties the capitalisation rate of net market income method and discounting of future cash flows to their present value has been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair market of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date. These assumptions include:

- weighted average capitalisation rates of 8.63% (2009: 8.23%).
- lease vacancy rates based upon gross leased area of 4.71% (2009: 13.52%).
- weighted average lease term based upon gross leased area of 7.26 years (2009: 6.79 years).

The fair value of land and buildings has been determined as part of the overall assessment of the value of the Tavern operation as a going concern using a capitalisation of estimated maintainable earnings (using a yield of 12.06% (2009: 11.76%)) in conjunction with recent market sales.

### **4. Segment information**

#### **Description of segments**

The group has identified its operating segments based upon internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of product category and service offerings since the diversifications of the group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the aggregation criteria of AASB 8.

#### **Reportable segments**

##### *Hotel operations*

The hotel operations segment sells packaged alcoholic beverages through its retail outlets, sells food and alcoholic beverages on-premise through bars and restaurants and operates a licensed gaming venue.

##### *Investment property operations*

The investment segment owns and leases investment property assets to retail tenants.

##### *Property management operations*

The property management segment provides lease administration, facility management and lease accounting services to investment property owners.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**4. Segment information (continued)**

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless otherwise stated, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

*Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. All such transactions are eliminated on consolidation for the group's financial statements.

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature.

Unless indicated otherwise in the segment assets note, investments in financial assets and deferred tax assets have not been allocated to operating segments.

*Unallocated items*

Certain items of revenue, expense and assets are not allocated to operating segments as they are not considered part of the core operations of any segment including fair value adjustments, financing costs and corporate overheads.

*Comparative information*

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform with the requirements of this Standard.

	<b>Hotel operations</b>	<b>Investment</b>	<b>Property management</b>	<b>Total</b>
<b>2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>				
Sales to external customers	13,987	4,542	840	19,369
Intersegment sales	-	-	131	131
Total sales revenue	13,987	4,542	971	19,500
Other revenue/income	494	-	-	494
Total segment revenue/income	14,481	4,542	971	19,994
Intersegment elimination				(131)
Gain on disposal of available-for-sale financial asset				81
Interest revenue				44
Consolidated revenue/income				19,988
<b>Results</b>				
Segment results	772	3,422	(24)	4,170
Finance expenses				(2,415)
Unallocated revenue less unallocated expenses				(760)
Fair value adjustment on investment properties				(5,985)
Loss before income tax				(4,990)
Income tax benefit				1,508
Loss for the year				(3,482)
<b>Assets</b>				
Segment assets	10,742	42,921	934	54,597
Deferred tax asset				881
Unallocated assets				365
Total assets				55,843
Depreciation and amortisation	337	-	188	525
Unallocated				3
Total depreciation and amortisation				528

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**4. Segment information (continued)**

	<b>Hotel operations \$'000</b>	<b>Investment \$'000</b>	<b>Property management \$'000</b>	<b>Total \$'000</b>
<b>2009</b>				
<b>Revenue</b>				
Sales to external customers	13,455	4,285	945	18,685
Intersegment sales	-	-	126	126
Total sales revenue	13,455	4,285	1,071	18,811
Other revenue/income	331	-	-	331
Total segment revenue/income	13,786	4,285	1,071	19,142
Intersegment elimination				(126)
Unallocated revenue				78
Consolidated revenue/income				19,094
<b>Results</b>				
Segment results	728	3,389	(653)*	3,464
Finance expenses				(2,438)
Unallocated revenue less unallocated expenses				(848)
Fair value adjustment on investment properties				(6,228)
Loss before income tax				(6,050)
Income tax benefit				1,822
Loss for the year				(4,228)
<b>Assets</b>				
Segment assets	13,164	47,747	1,160	62,071
Unallocated assets				651
Total assets				62,722
Depreciation and amortisation	337	-	266	603
Unallocated				7
Total depreciation and amortisation				610
Other non-cash expenses (other than depreciation and amortisation)	-	-	547*	547

\* Includes write down on impairment of management rights \$547,000.

**5. Revenue**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Sale of goods	10,677	10,065
Gaming revenue	3,310	3,390
Rental income and recoveries from investment properties	4,542	4,285
Management services	840	945
	19,369	18,685
Interest	27	54
Imputed interest on long term receivable	17	24
Commissions	147	121
Other	258	210
Total revenue	19,818	19,094

**6. Other income**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Net gain on disposal of property, plant and equipment (note16)	89	-
Net gain on disposal of available-for-sale financial assets, net of costs (note 12)	81	-
	170	-

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**7. Expenses**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Profit/(loss) before income tax includes the following specific expenses:		
Cost of goods sold	7,951	7,726
Depreciation		
- Buildings	78	102
- Plant and equipment	268	251
Total depreciation	<u>346</u>	<u>353</u>
Amortisation – intangibles	182	257
Finance costs		
- Amortisation of loan establishment costs	19	44
- Interest and finance charges paid/payable	2,396	2,394
	<u>2,415</u>	<u>2,438</u>
Operating lease rentals – minimum lease payments	339	297
Defined contribution superannuation expense	252	250

**8. Income tax**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>(a) Income tax expense/(benefit)</b>		
Current tax	64	41
Deferred tax	(1,572)	(1,867)
Adjustment for current tax of prior periods	-	4
	<u>(1,508)</u>	<u>(1,822)</u>

**(b) Numerical reconciliation of income tax to prima facie tax payable is as follows:**

Loss before income tax	<u>(4,990)</u>	<u>(6,050)</u>
Income tax at the Australian tax rate of 30% (2009: 30%)	(1,497)	(1,815)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	<u>(11)</u>	<u>(7)</u>
Income tax benefit	<u>(1,508)</u>	<u>(1,822)</u>

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**8. Income tax (continued)**

(c) Deferred income tax at 30 June relates to the following:	Statement of financial position		Statement of comprehensive income	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment properties	931	(617)	(1,548)	(1,622)
Property, plant and equipment	(616)	(1,405)	(23)	(30)
Intangibles	(245)	(299)	(54)	(240)
Employee benefits	87	88	1	(8)
Accrued expenses	19	19	-	5
Sundry items	39	56	41	39
Tax losses	666	706	11	(11)
Net deferred tax assets/(liabilities)	881	(1,452)		
Net deferred tax			(1,572)	(1,867)

(d) Tax expense (income) relating to items of other comprehensive income	2010 \$'000	2009 \$'000
Loss on revaluation of land and buildings	(767)	(677)
Changes in fair value of available-for-sale financial assets	(33)	12
Net deferred tax credited directly to equity	(800)	(665)

**(d) Tax consolidation legislation**

Eumundi Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on accounting for tax consolidation is set out in note 1(f).

The entities in the tax consolidated group have entered into tax funding agreements under which the wholly-owned entities fully compensate Eumundi Group Limited for any current tax payable assumed and are compensated by Eumundi Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Eumundi Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Tax losses of \$ 40,000 (2009: \$nil) were utilised to offset the current tax liability during the year.

**(f) Franking credits**

	2010 \$'000	2009 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%)	518	504

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

9. Current assets – Cash and cash equivalents	2010 \$'000	2009 \$'000
Cash at bank and in hand	751	1,259

The group's exposure to interest rate risk is discussed in note 2.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

<b>10. Current assets – Trade and other receivables</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Trade receivables	128	65
Other receivables*	284	376
	<u>412</u>	<u>441</u>

\* Refer to note 14

**Impaired trade receivables**

The group has no impaired receivables as at 30 June 2010 (2009: \$nil).

**Past due but not impaired**

There are no significant receivables for the group entity that are past due but not impaired.

**Fair value and credit risk**

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

<b>11. Current assets – Inventories</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Finished goods – at cost	<u>1,551</u>	<u>1,295</u>

Inventories recognised as expense during the period ended 30 June 2010 amounted to \$7,951,000 (2009: \$7,726,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to \$21,000 (2009: \$nil). The expense has been included in costs of goods sold in profit or loss.

<b>12. Current assets – Available-for-sale financial assets</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Shares in listed companies – at fair value	<u>-</u>	<u>239</u>
At beginning of year	239	101
Fair value adjustment – transfer to equity	(6)	138
Disposal of available-for-sale financial assets	<u>(233)</u>	<u>-</u>
At end of year	<u>-</u>	<u>239</u>

Information about the group's exposure to price risk is provided in note 2.

<b>13. Current assets – Other assets</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Short term deposits	45	10
Prepayments	205	197
Deferred costs	<u>108</u>	<u>-</u>
	<u>358</u>	<u>207</u>

<b>14. Non-current assets – Other receivables</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Other receivables	<u>138</u>	<u>271</u>

**Other receivables**

Other receivables includes amounts owing by Foster's Group Limited of \$288,000 (2009: \$421,000), being the proceeds from termination of a brewing contract. The receivable will be settled by way of a further 2 (2009: 3) annual instalments of \$150,000 per annum ending on 1 November 2011. The Foster's Group Limited receivable has been discounted to its present value using a discount rate of 5.9% pa. Imputed interest is brought to account as income over the term of the receivable.

**Past due but not impaired**

There are no significant receivables for the group that are past due but not impaired.

**Fair value and credit risk**

As stated above the fair value of other receivables is based on a discount to fair value. Amounts owing from trade receivables are at call and as such the carrying amounts approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

<b>15. Non-current assets – Available-for-sale financial assets</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Unlisted securities - at fair value	83	108
At beginning of year	108	207
Fair value adjustment – transfer to equity	(25)	(99)
At end of year	83	108

Information about the group's exposure to price risk is provided in note 2.

**16. Non-current assets – Property, plant and equipment**

	<b>Freehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2008</b>				
Cost or fair value	7,500	4,000	1,455	12,955
Accumulated depreciation	-	-	(663)	(663)
Net book amount	7,500	4,000	792	12,292
<b>Year ended 30 June 2009</b>				
Opening net book amount	7,500	4,000	792	12,292
Revaluation increment	(1,000)	(1,256)	-	(2,256)
Additions	-	333	184	517
Depreciation charge	-	(102)	(251)	(353)
Closing net book amount	6,500	2,975	725	10,200
<b>At 30 June 2009</b>				
Cost or fair value	6,500	2,975	1,463	10,938
Accumulated depreciation	-	-	(738)	(738)
Net book amount	6,500	2,975	725	10,200

	<b>Freehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2010</b>				
Opening net book amount	6,500	2,975	725	10,200
Revaluation decrement	(1,600)	(952)	-	(2,552)
Additions	-	155	359	514
Disposals	-	-	(33)	(33)
Depreciation charge	-	(78)	(268)	(346)
Closing net book amount	4,900	2,100	783	7,783
<b>At 30 June 2010</b>				
Cost or fair value	4,900	2,100	1,415	8,415
Accumulated depreciation	-	-	(632)	(632)
Net book amount	4,900	2,100	783	7,783

**(a) Valuation of land and buildings**

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

The 2009 and 2010 valuations were based on an assessment by a member of the Australian Property Institute as at balance date for bank security purposes. Based on these valuations the fair value of the Ashmore Tavern was reassessed resulting in a revaluation decrement of \$1,600,000 (2009: decrement of \$1,000,000) being recognised for freehold land and \$952,000 for buildings (2009: decrement of \$1,256,000).

For further details of factors considered in assessing the fair value refer note 3.

**(b) Non-Current assets pledged as security**

Refer to note 24(a) for information on assets pledged as security by the group.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**16. Non-current assets – Property, plant and equipment (continued)**

**(c) Carrying amounts that would have been recognised if land and buildings were stated at cost**

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Freehold land</b>		
Cost	3,026	3,026
Accumulated depreciation	-	-
Net book amount	<u>3,026</u>	<u>3,026</u>
<b>Buildings</b>		
Cost	1,851	1,696
Accumulated depreciation	(247)	(218)
Net book amount	<u>1,604</u>	<u>1,478</u>

**17. Non-current assets – Investment properties**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>At fair value</b>		
At beginning of year	47,585	48,253
Capitalised subsequent expenditure	1,026	5,380
Straight line rentals	204	180
Net loss from fair value adjustment	(5,985)	(6,228)
At end of year	<u>42,830</u>	<u>47,585</u>

**(a) Valuation basis**

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 30 June 2010 revaluations for Bribie Harbour Shopping Village, Aspley Shopping Centre, and Aspley Arcade Shopping Centre were based on independent valuations made by a member of the Australian Property Institute for bank security purposes. The 30 June 2010 revaluation of Home Hill Shopping Centre was based upon directors' assessment of fair value.

The 30 June 2009 revaluation for Bribie Harbour Shopping Village was based on an independent assessments made by a member of the Australian Property Institute. The 30 June 2009 revaluations for Aspley Shopping Centre, Aspley Arcade Shopping Centre Home, and Hill Shopping Centre investment properties were based upon directors' assessment of fair value.

In arriving at fair value, the directors considered the discounted cash flows of the relevant investment property based upon estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based upon the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property and movement in market values. These valuations are also considered by the directors when determining fair value. For factors considered in assessing the fair value refer to note 3.

Property	Acquisition Date	Cost Including Additions*	Independent Valuation		Book Value	
			Date	\$'000's	2010 \$'000's	2009 \$'000's
Aspley Shopping Centre	Mar 2004	17,362	Mar 2010	17,800	17,800	21,600
Bribie Harbour Shopping Village	Nov 2005	16,375	Apr 2010	11,700	11,700	11,800
Home Hill Shopping Centre	Jan 2007	1,453	Sep 2009	1,530	1,530	1,585
Aspley Arcade Shopping Centre	Jun 2007	13,000	Mar 2010	11,800	11,800	12,600
					<u>42,830</u>	<u>47,585</u>

\* excluding acquisition costs

**17. Non-current assets – Investment properties (continued)**

**(b) Non-current assets pledged as security**

Refer to note 24(a) for information on assets pledged as security by the group.

<b>(c) Amounts recognised in profit or loss for investment properties</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Rental income and recoveries from investment properties	4,542	4,285
Direct operating expenses from properties that generated rental income	(989)	(770)
	<u>3,553</u>	<u>3,515</u>

**(d) Contractual obligations**

A contract has been entered into for the replacement of the Home Hill Roof in the amount of \$150,000. There are no other contractual obligations to purchase, construct or develop investment property or for repairs maintenance or enhancement.

**(e) Leasing arrangements**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Within one year	4,420	3,870
Later than one year but not later than five years	13,580	11,808
Later than five years	9,888	7,889
Total	<u>27,888</u>	<u>23,567</u>

<b>18. Non-current assets – Deferred tax assets</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Net deferred tax assets (note 8)	<u>881</u>	<u>-</u>

**19. Non-current assets – Intangible assets**

	<b>Hotel Licences \$'000</b>	<b>Manage ment Rights \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2008</b>			
Cost or fair value	104	2,054	2,158
Accumulated amortisation	(21)	(255)	(276)
Net book amount	<u>83</u>	<u>1,799</u>	<u>1,882</u>
<b>Year ended 30 June 2009</b>			
Opening net book amount	83	1,799	1,882
Amortisation charge	(2)	(255)	(257)
Impairment charge	-	(547)	(547)
Closing net book amount	<u>81</u>	<u>997</u>	<u>1,078</u>
<b>At 30 June 2009</b>			
Cost or fair value	104	2,054	2,158
Accumulated amortisation and impairment	(23)	(1,057)	(1,080)
Net book amount	<u>81</u>	<u>997</u>	<u>1,078</u>
<b>Year ended 30 June 2010</b>			
Opening net book amount	81	997	1,078
Amortisation charge	(2)	(180)	(182)
Closing net book amount	<u>79</u>	<u>817</u>	<u>896</u>
<b>At 30 June 2010</b>			
Cost or fair value	104	2,054	2,158
Accumulated amortisation and impairment	(25)	(1,237)	(1,262)
Net book amount	<u>79</u>	<u>817</u>	<u>896</u>

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**19. Non-current assets – Intangible assets (continued)**

**Management rights**

Management rights for management of commercial, retail and industrial property were acquired in 2008 as part of the Keendove Holdings Pty Ltd acquisition. The cash generating unit for this intangible is considered to be the Property Management segment. At 30 June 2009 the group's management rights were assessed for impairment due to the termination of certain management agreements included in the acquisition. This assessment resulted in an impairment charge in the 2009 financial year of \$547,000 (2010: \$nil). The remaining amortisation period for management rights is 5 years (2009: 6 years).

**Change in accounting policy**

The group changed its accounting policy relating to the measurement of gaming licences for the year ended 30 June 2010. Gaming licences were previously recognised at fair value at each reporting date under AASB138 Intangible Assets, assuming that an active market existed to enable the fair value to be assessed. The active market being the Queensland Office of Gaming Regulations (QOGR) auctions.

Based upon this market, at 30 June 2009 the intangible assets of Eumundi Group Limited included an amount of \$3,035,000 being gaming machine licences held by the Ashmore Tavern as confirmed by the independent valuation of the Tavern. At 30 June 2010 taking the most recent sale price achieved at auction in March 2010 these gaming licenses have a value of \$2,740,000.

Subsequent to the release of the group's 2009 Annual Report, it came to the attention of the directors that ASIC has determined that the QOGR auctions do not satisfy the definition of an active market and, as such, these assets must be recorded at cost. The gaming licences are considered to have an indefinite useful life and accordingly are not amortised and are tested for impairment each reporting period.

The change in accounting policy has been recognised retrospectively and comparatives have been restated. As there was no value attributed to the gaming licences associated with the Ashmore Tavern at the time of acquisition in 1996, the change in accounting policy had the following impact on the financial statements:

	<b>30 June 2010 \$'000</b>	<b>30 June 2009 \$'000</b>	<b>30 June 2008 \$'000</b>
Decrease in intangible assets	(2,740)	(3,035)	(3,500)
Decrease in deferred tax liabilities	822	910	1,050
Decrease in net assets	<u>(1,918)</u>	<u>(2,125)</u>	<u>(2,450)</u>
Decrease in revaluation surplus/equity	(1,918)	(2,125)	(2,450)

**20. Non-current assets – Other assets**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Deferred costs	<u>117</u>	<u>-</u>

**21. Current liabilities – Trade and other payables**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Trade payables	1,918	1,543
Other payables	-	501
	<u>1,918</u>	<u>2,044</u>

**22. Current liabilities – Borrowings**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Commercial bills - secured	<u>23,211</u>	<u>23,686</u>

The group is involved in negotiations with its lender to extend the term of the commercial bill facilities totalling \$24,065,000 (drawn at \$23,300,000 face value as at 30 June 2010). The commercial bill facilities are due to expire on 31 January 2011. The group has received an offer from the bank to extend the facilities to 31 August 2011 subject to documentation.

Refer to note 24 for details regarding financing arrangements.

**23. Current liabilities – Provisions**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Employee benefits	<u>289</u>	<u>285</u>

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**24. Non-current liabilities – Borrowings**

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Commercial bills – secured	17,872	17,347

**(a) Assets pledged as security**

Bank overdraft and commercial bills are wholly secured by way of:

- (i) Registered mortgage debenture over the assets and undertakings of the group;
- (ii) Unlimited fully interlocking guarantee by Eumundi Group Limited, Eumundi Property Group Pty Ltd and Eumundi Group Hotels Pty Ltd; and
- (iii) First registered mortgage over the property, plant and equipment and investment properties of the group.

As such all assets are pledged as security for borrowings.

**(b) Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Credit standby arrangements</b>		
Total facilities		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facility	42,565	43,315
	<u>43,065</u>	<u>43,815</u>
Used at balance date		
Bank overdraft	-	-
Finance lease liabilities	-	-
Commercial bill facility *	41,250	41,150
	<u>41,250</u>	<u>41,150</u>
Unused at balance date		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facility	1,315	2,165
	<u>1,815</u>	<u>2,665</u>

\* Used at balance date comprises the face value of bills drawn. The amount recognised in the statement of financial position is net of discounts and other transaction costs.

**Bank overdraft**

Standby funds provided by the group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2009: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

**Commercial bills**

The facilities are subject to annual review. Unused facilities can be drawn down at any time. Further details are outlined below.

<b>Amount drawn (Face Value)</b>		<b>Interest rate</b>		<b>Interest type</b>	<b>Expiry date</b>	<b>Repayment terms</b>
<b>2010 \$'000</b>	<b>2009 \$'000</b>	<b>2010 %</b>	<b>2009 %</b>			
12,350	13,000	7.2	4.0	Variable	31/01/11	Interest only until expiry
14,500	14,200	7.2	4.0	Variable	31/07/12	Interest only until expiry
3,450	3,200	7.1	4.0	Variable	31/01/13	Interest only until expiry
7,000	6,750	7.2	4.1	Variable	31/01/11	Quarterly amortisation of \$250,000 until expiry
3,950	4,000	7.1	4.2	Variable	31/01/11	Interest only until expiry
<u>41,250</u>	<u>41,150</u>					

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**24. Non-current liabilities - Borrowings (continued)**

**Finance lease liabilities**

The group has a lease finance facility of \$400,000 (2009: \$400,000) which may only be used to finance plant and equipment. Where applicable, the leases are repayable in fixed monthly instalments of principal and interest over the term of the respective leases.

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>25. Non-current liabilities – Deferred tax liabilities</b>		
Net deferred tax liabilities (note 8)	-	1,452

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>26. Non-current liabilities – Provisions</b>		
Employee benefits	-	7

<b>27. Contributed equity</b>	<b>2010</b> <b>Number of</b> <b>shares</b>	<b>2009</b> <b>Number of</b> <b>shares</b>	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>Share capital</b>				
Fully paid ordinary shares	70,974,845	70,974,845	8,695	8,695

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the parent does not have authorised capital or par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the 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 upon a poll each share is entitled to one vote.

**Movements in share capital**

There has been no movement in share capital in the 2009 or 2010 financial years.

**Options**

As at 30 June 2010, there were no options to purchase ordinary shares in the parent entity (2009 – nil).

**Capital risk management**

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

The gearing ratios as at 30 June 2010 and 30 June 2009 were as follows:

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Total borrowings	43,001	43,077
Less: cash and cash equivalents	(751)	(1,259)
Net debt	42,250	41,818
Total equity	12,553	17,901
Total capital	54,803	59,719
Gearing ratio	77.52%	70.03%

The increase in gearing ratio during 2010 was the result of reduced equity due to fair value adjustments of property assets.

## 28. Reserves and retained profits

### (a) Reserves

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Available-for-sale asset revaluation surplus	90	171
Property, plant and equipment revaluation surplus	2,090	3,875
	<u>2,180</u>	<u>4,046</u>

#### *Movements in reserves:*

##### *Property, plant and equipment revaluation surplus*

Balance at the beginning of the year	3,875	5,454
Loss on revaluation of freehold land and buildings (net of tax) *	(1,785)	(1,579)
Balance at the end of the year	<u>2,090</u>	<u>3,875</u>

\* Gross loss before tax - \$(2,552,000) (2009 - \$(2,256,000))

##### *Available-for-sale asset revaluation surplus*

Balance at the beginning of the year	171	143
Change in fair value of unlisted securities (net of tax) *	(17)	(69)
Change in fair value of listed securities (net of tax) **	19	97
Transfer in fair value of listed securities to profit or loss	(83)	-
Balance at the end of the year	<u>90</u>	<u>171</u>

\* Gross loss before tax - \$(25,000) (2009 - \$(99,000))

\*\* Gross gain/(loss) before tax - \$(89,000) (2009 - \$138,000)

### (b) Retained profits

Retained profits at the beginning of the year	5,059	9,242
Profit/(loss) for the year attributable to owners of the company	(3,472)	(4,183)
Retained profits at the end of the year	<u>1,587</u>	<u>5,059</u>

### (c) Nature and purpose of reserves

#### (i) Property, plant and equipment revaluation surplus

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(o). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

#### (ii) Available-for-sale asset revaluation surplus

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale assets revaluation surplus, as described in note 1(m). Amounts are recognised in profit or loss when the associated assets are sold or impaired.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**29. Parent entity financial information**

**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>Balance sheet</b>		
Current assets	-	29
Total assets	12,950	15,729
Current liabilities	4,277	4,310
Total liabilities	4,277	4,310
<i>Shareholders equity</i>		
Issued capital	8,695	8,695
Retained earnings/ (losses)	(22)	2,724
	<u>8,673</u>	<u>11,419</u>
Loss for the year	<u>(2,746)</u>	<u>(2,962)</u>
Total comprehensive income	<u>(2,746)</u>	<u>(2,962)</u>

**(b) Guarantees entered into by the parent entity**

The parent entity has provided financial guarantees in respect of the above facilities and borrowings which are secured by registered mortgages over the freehold properties of the subsidiaries.

No liability was recognised by the parent entity in respect of these guarantees, as the fair value of the guarantees is immaterial.

**(c) Contingent assets and liabilities of the parent entity**

The individual parent entity had no contingent assets or liabilities

**(d) Contractual commitments for the acquisition of property, plant or equipment**

The parent entity had no commitments for the acquisition of property, plant or equipment.

**30. Key management personnel disclosures**

**(a) Key management personnel compensation**

	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
Short-term employee benefits	509,624	538,323
Post-employment benefits	37,541	37,610
Termination benefits	-	24,230
	<u>547,165</u>	<u>600,163</u>

**(b) Equity instrument disclosures relating to key management personnel**

**(i) Options provided as remuneration and shares issued on exercise of such options**

There have been no share based payment compensation benefits granted, vested or exercised during the year (2009: nil).

**30. Key management personnel disclosures (continued)**

(ii) Option holdings

There were no options over ordinary shares in the parent entity held by key management personnel during, or at the end of, the year (2009: nil).

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Eumundi Group Limited and other key management personnel of the group, including their personally related parties, are set out below.

	Balance at start of year or date of appointment	Granted as compensation	On exercise of options	Net change other	Balance at end of year
<b>2010</b>					
<b>Directors</b>					
J M Ganim	15,535,335	-	-	-	15,535,335
G De Luca	8,496,711	-	-	4,000	8,500,711
V A Wills	-	-	-	-	-
<b>Other key management personnel</b>					
M Peacock	592,419	-	-	-	592,419
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-
<b>2009</b>					
<b>Directors</b>					
J M Ganim	15,535,335	-	-	-	15,535,335
G De Luca	8,496,711	-	-	-	8,496,711
V A Wills	-	-	-	-	-
<b>Other key management personnel</b>					
M Peacock <sup>(2)</sup>	592,419	-	-	-	592,419
I Thomson <sup>(1)</sup>	-	-	-	-	-
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-

(1) I Thomson resigned as chief executive officer on 13 March 2009

(2) M Peacock was appointed chief executive officer on 13 March 2009

**(c) Loans to key management personnel**

There were no loans to key management personnel at any time during the financial year (2009: \$nil).

**(d) Other transactions with key management personnel**

**Directors**

Hopgood Ganim, a firm of solicitors, of which JM Ganim is a partner, provides legal services to the group under normal commercial terms and conditions.

**Other key management personnel**

No other transactions were undertaken between the group and key management personnel during 2010 and 2009.

	2010 \$	2009 \$
<b>Amounts recognised as expense</b>		
Legal fees (JM Ganim)	53,423	67,335
<b>Amounts recognised as non-current assets</b>		
Legal fees included in investment properties acquisition costs (JM Ganim)	72,651	52,639
<b>Aggregate amounts receivable/payable arising from the above types of transactions</b>		
Current trade payables	14,305	22,947

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED**

**31. Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Johnston Rorke, its related practices and non-related audit firms:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>		
Audit and review of financial reports	59,500	51,000
	<u>59,500</u>	<u>51,000</u>
<b>(b) Non-audit services</b>		
Tax compliance services	10,900	22,000
	<u>10,900</u>	<u>22,000</u>

It is the group's policy to employ Johnston Rorke on assignments in addition to their statutory audit duties where Johnston Rorke's expertise and experience with the group are important. It is the group's policy to seek competitive tenders for all major consulting projects.

**32. Contingencies**

As at 30 June 2010, the consolidated entity had a contingent asset in respect unpaid rebates and trade incentives received by the former manager of the Ashmore Tavern and Imperial Hotel. Following the termination of the hotel management agreement in March 2008, the directors became aware of rebates, incentives and other amounts received by the former manager in respect of the group's liquor purchases, which the directors believe are due to the company. As a result Supreme Court proceedings have been instituted. No amount has been recognised as a receivable as it is contingent upon the outcome of the dispute.

The former manager has disputed the claim and has filed a defence and counter claim. No amount has been recognised as a payable as it is contingent upon the outcome of the dispute. Eumundi considers the counterclaim to be based on spurious grounds.

The group had no other material contingencies.

**33. Commitments**

**Operating leases**

The group leases an office and certain retail premises under non-cancellable operating leases expiring within six months to five years.

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:		
Within one year	201	201
Later than one year but not later than five years	219	197
	<u>420</u>	<u>398</u>

**Capital expenditure**

A contract has been entered into for the replacement of the Home Hill roof in the amount of \$150,000. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

**34. Subsidiaries**

The ultimate parent entity of the group is Eumundi Group Limited.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity Holding*	
			<b>2010</b>	<b>2009</b>
Eumundi Property Group Pty Ltd (formerly Eumundi Brewing Company Pty Ltd)	Australia	Ordinary	100%	100%
Eumundi Group Hotels Pty Ltd (formerly Imperial Hotel Eumundi Pty Ltd)	Australia	Ordinary	100%	100%
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%
Keendove Holdings Pty Ltd	Australia	Ordinary	90%	90%

**35. Reconciliation of profit for the year to net cash flow from operating activities**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Profit for the year	(3,482)	(4,228)
Depreciation and amortisation	528	610
Impairment charge	-	547
Straight line rental adjustment	(204)	(180)
Net loss on fair value adjustment of investment properties	5,985	6,228
Gain on disposal of available-for-sale financial asset	(81)	-
Gain on disposal of property , plant and equipment	(89)	-
Other	2	279
Changes in operating assets and liabilities (net of assets acquired):		
(Increase)/decrease in:		
Trade receivables	29	(35)
Other receivables	150	150
Inventories	(256)	285
Other current assets	(268)	-
Increase/(decrease) in:		
Trade and other payables	110	(382)
Income tax payable	(4)	(93)
Deferred tax asset/liability*	(1,528)	(1,874)
Employee benefits	(3)	24
Cash flows from operating activities	<u>889</u>	<u>1,331</u>

\* net of amounts recognised directly in equity

**36. Non-cash investing and financing activities**

There were no non-cash financing and investing activities during the current or prior year.

**37. Earnings per share**

<b>(a) Basic earnings per share</b>	<b>2010</b>	<b>2009</b>
Basic loss per share	(4.90)¢	(5.89)¢
<b>(b) Diluted earnings per share</b>		
Diluted loss per share	(4.90)¢	(5.89)¢
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Basic earnings per share</i>		
Profit (loss) attributable to the owners of the company used in calculation of basic earnings per share	(3,472)	(4,183)
<i>Diluted earnings per share</i>		
Profit (loss) attributable to the owners of the company used in calculation of diluted earnings per share	(3,472)	(4,183)
<b>(d) Weighted average number of shares used as the denominator</b>	<b>Number of shares</b>	
	<b>2010</b>	<b>2009</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	70,974,845	70,974,845
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	70,974,845	70,974,845

There are no dilutive potential ordinary shares.

**[ NOTES TO THE FINANCIAL STATEMENTS ]**  
**FOR THE YEAR ENDED 30 JUNE 2010** CONTINUED

**38. Subsequent events**

As at 30 June 2010, the group had current liabilities totalling \$24,065,000 which included commercial bills of \$23,211,000 which, at balance date, were due to expire on 31 January 2011. Since balance date, the group has received confirmation from the bank that it will extend the term of the facilities to 31 August 2011, subject to documentation.

On 02 September 2010, Mark Peacock was appointed as managing director of Eumundi Group Limited.

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and
- (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards, and
- (c) 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

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2010 required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



J M Ganim  
Director

Dated at Brisbane this 30th day of September, 2010.

## Report on the Financial Report

We have audited the accompanying financial report of Eumundi Group Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Eumundi Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its' performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the year ended 30 June 2010. 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.

*Auditor's opinion*

In our opinion the Remuneration Report of Eumundi Group Limited for the year ended 30 June 2010 complies with Section 300A of the *Corporations Act 2001*.

**JOHNSTON RORKE**  
Chartered Accountants



**K.A. HAIDUK**  
Partner

Brisbane, Queensland  
30 September 2010

## [ SHAREHOLDER INFORMATION ]

The shareholder information below was applicable as at 22 September 2010.

### A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Ordinary Shares	
1 – 1,000	144
1,001 – 5,000	510
5,001 – 10,000	243
10,001 – 100,000	220
100,001 and over	92
	<b>1,209</b>

There are 748 shareholders who hold less than a marketable parcel of ordinary shares in the company.

### B. Equity security holders

#### *Twenty largest quoted equity security holders*

	Number held	Percentage
1. De Luca Group Superannuation Fund – De Luca Group Super Fund	7,986,311	11.25
2. Ganbros Pty Ltd	4,968,855	7.00
3. Ganboys Pty Ltd	4,730,190	6.66
4. Gansons Pty Ltd	3,868,490	5.45
5. Jalsea Pty Ltd	3,308,914	4.66
6. Phillips Consolidated Pty Ltd	2,169,938	3.06
7. Archer Management Pty Ltd – Archer Super Fund	1,749,304	2.46
8. Mrs. Tracy Fraser	1,463,045	2.06
9. RBC Dexia Investor Services Australia Nominees Pty Ltd	1,430,000	2.01
10. Mr. J M Ganim	1,326,400	1.87
11. Chriswell Pty Ltd – Christine Weller Family Account	1,107,681	1.56
12. Dreamtouch Pty Ltd – Brian Weller Family Account	1,107,681	1.56
13. Nipruma Pty Ltd – Kim Weller Family Account	1,107,681	1.56
14. Atkins Steelcraft Pty Ltd	1,011,000	1.42
15. Natpac Financial Services Pty Ltd - Robert Blann Superfund	936,415	1.32
16. Hatfree Pty Ltd - Freeman Super Fund	917,500	1.29
17. Mr M.J. Punch	912,225	1.29
18. Adisha Holdings Pty Ltd	750,000	1.06
19. Atkone Pty Ltd	750,000	1.06
20. Ruminator Pty Ltd	750,000	1.06
Total	42,351,630	59.66

### C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
De Luca Group Superannuation Fund	7,982,311	11.25
Ganbros Pty Ltd	4,968,855	7.00
Ganboys Pty Ltd	4,730,190	6.66
Gansons Pty Ltd	3,868,490	5.45

### D. Voting rights

The voting rights attached to each class of equity securities are set out below:

#### a) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### b) Options

No voting rights.



