

EUMUNDI GROUP



ANNUAL REPORT – 30 JUNE 2011

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[CORPORATE DIRECTORY]

DIRECTORS

Joseph Michael Ganim – Chairman

Gilbert De Luca

Mark Beauchamp Peacock

Vernon Alan Wills

COMPANY SECRETARY

Leni Pia Stanley

MANAGING DIRECTOR

Mark Beauchamp Peacock

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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PRINCIPAL PLACE OF BUSINESS

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AUDITOR

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SOLICITORS

Hopgood Ganim
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Telephone: (07) 3024 0000

BANKERS

National Australia Bank
255 Adelaide Street
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STOCK EXCHANGE LISTING

Eumundi Group Limited shares are listed
on the Australian Securities Exchange

WEB SITE ADDRESS

www.eumundi-ltd.com.au





CHAIRMAN'S ADDRESS

Retail, Property and Hotel sectors have been under significant pressure during the past 3 years, and given recent international financial upheaval, we are unlikely to see any significant improvement for at least another 12-18 months. We are in uncharted territory from an Australian, and an International perspective, with large retailers, manufacturers and financial institutions experiencing a reduction in turnover and profits.

The GFC has taken many major casualties, some of them previously considered strong, sound and recession proof investments. We are pleased to report that today Eumundi Group is actually in a stronger financial position than in many years.

Our debt position, while still too high for any Board to be comfortable in such a volatile economy and unforeseeable economic future, has been reduced by \$5,000,000 during the year assisted through capital raising, asset sale, and payment received on settlement of a litigation matter. And reduction will continue, as we are intent on that.

After doubling the number of issued shares through the November 2010 Rights Issue, the tangible net asset backing per share has only fallen by 3.2 cents from 15.2 cents as at June 2010 to 12 cents in June 2011. Moreover our share price as at June 2010 was 5c and as at 30 June 2011, 5.1c. Accepted not ideal, but such discounting is endemic with even the most successful listed companies and we cannot be deflected from the main game and that is to enhance shareholder value. The quality of our assets continues to stand us in better stead than many other property orientated companies, as property is what has taken the brunt of the devaluation processes happening all over the world in the GFC.

The board has always maintained that each of the Group's assets are available for sale at the right price, but will not be sold at stress, but realistic, prices as we are not in the former category. And with that in mind we continually review the best course of action for each of the group's assets, as well as potential acquisitions, asset trades and even mergers with the right fit.

The current economic conditions provide opportunities for investors with access to funds. We are in a position to make suitable investments, having a strong, long standing relationship with the National Australia Bank, and with available facilities for us to draw upon for the right project having regard to risk, cash flows and operational synergies. But they are limited where with less debt, they would not be.

The sale of our investment in Keendove Holdings effectively recouped our initial investment, after having benefited from a good passing income during three years of ownership. The decision to sell this investment was to simplify the business, reduce commercial and operational risk, and to put the group's funds to a better use. And the price was right.

The Aspley Shopping Centre and Aspley Arcade properties have significant future redevelopment potential and a strong holding income until such a redevelopment is able to be undertaken. This site represents the Groups largest asset,



and a redevelopment of this property to its potential is a massive undertaking – and beyond Eumundi’s capacity to undertake on its own. Having been approached by parties interested in these properties, we made the decision to offer them for sale by expression of interest. Accordingly, if a commercially attractive offer is received, the group proposes to sell these assets (or perhaps JV them with no financial commitment by the company), and apply any funds so generated to further debt reduction and to use remaining funds to secure appropriate property/ hotel related investment opportunities.

Our investment properties are generating a good cash flow in spite of the difficult retail environment, and each of the assets has future improvement potential. The majority of our tenants are strong.

We are fortunate that each of the group’s assets escaped the natural disasters of January 2011 without incident, however the economic impact of these events on tourism and retail confidence have resulted in lower sales for our Gold Coast tavern operation as competition for the dollar intensifies.

In the past two years works have been undertaken on the Ashmore Tavern premises and facilities, in particular the significant renovation of the sports bar in 2009, upgrade of the gaming lounge in 2010, and improvements to external function areas in 2011. Further investment in the Ashmore Tavern is necessary to ensure that it is, and will continue to be, the venue of choice within the local community.

No-one can reliably predict the length or extent of this economic downturn, already in record breaking parameters. We will continue to take a considered and conservative approach to the ongoing operations. Control of cash, costs, covenant compliance and debtors and debt reduction are top priorities.

We are conscious of the need to work closely with key stakeholders so that we survive this downturn together, and emerge strong, healthy and ready for growth.

We will safeguard our assets, ensuring to the best of our ability that each asset is optimised in terms of performance, risk management, and a carefully managed capital works program. By retaining value, as much as is possible in the current market, we will ensure that borrowing covenants are met.

On behalf of the Eumundi Board, we would like to thank you, our shareholders, for demonstrating confidence in the Group and its assets by the strong participation in the November 2010 Rights Issue. We remain conservative in our approach, but optimistic that we are well positioned to weather the current market conditions and take advantage of the upswing which will come, the big question is when?

JM Ganim
Chairman

MANAGING DIRECTOR'S REPORT



Another difficult year for property and hotel businesses generally, however, we remain optimistic that as conditions stabilise in Europe, providing there is no major slowdown in demand for Australian resources in China, investor and business confidence will return to our markets allowing us to grow and strengthen our asset base. Following the sale of Keendove Holdings Pty Ltd during the year, the group's assets consist of two shopping centres, a hotel operation and an investment property, which are reviewed below.

ASPLEY

Aspley Arcade and Aspley Central are located approximately 13 km north of the Brisbane CBD in the established suburb of Aspley.

The centres occupy a prominent position close to the intersection of Gympie Road, Robinson Road West and Gayford Streets. Gympie Road is the major north-south arterial road linking the CBD with Brisbane's northern suburbs and the Bruce Highway.

The centres are well recognised solid traders with an impressive tenant profile and leasing history. This provides a significant and reliable income stream of circa \$2.89m per annum (fully leased) from a range of notable tenants including, Westpac, Liquorland, Cold Rock, Miss India, Foodworks, Aspley News, Pizza Hut, Jetts Fitness, Ray White, LJ Hooker, Sushi Train, QScan, ReMax, Subway and Chemsure Pharmacy.

The combined area of the land area of the two adjoining centres totals approximately 15,158 sqm, featuring extensive dual road frontage including Gympie Road to the eastern alignment and Gayford to the western alignment with multiple ingress/egress points. The site features excellent access and exposure to inbound and outbound traffic and can be described as a true "Gateway Site" on the Brisbane's north side.

The land is zoned "Multi -Purpose Centre MP3" providing a flexible mixed use development framework under which residential, commercial and retail uses can be accommodated. Previous planning advice indicates the potential opportunity for higher mixed -use outcomes taking advantage of the sites high-profile position within one of Brisbane's major commercial hubs.

The MP3 zoning allows a 0.75 plot ratio for commercial and /or retail

purposes which equates to a potential GFA of circa 11,368 sqm or 1.25 plot ratio where one third of the project is a residential application. This equates to a potential GFA of circa 18,947 sqm in a mixed use outcome. These development yields are significantly higher than the current 4,579 sqm of existing floor area.

During the year, management has been focused on maintaining the income of the centres and the filling of vacancies. Of note, during the year, ANZ moved out of Aspley Arcade and Sushi Train moved in to their premises on more favourable terms. The tenant of Publovers vacated Aspley Central by agreement, which saw all arrears cleared and a surrender fee paid. A new lease agreement has been entered into, and will commence upon liquor licensing and gaming approvals. In the interim the proposed tenant is operating the hotel and bottle shop as our employee.



Currently there are no vacancies in Aspley Central. In Aspley Arcade there are 3 vacancies representing approximately 7.75% of the NLA of that centre, or approximately 3.75% of the NLA of the entire site. As a result of various unsolicited approaches in respect of the sale and/or redevelopment of the site, in July 2011 a decision was made to seek expressions of interest for the acquisition of the Aspley centres. Savills (Qld) Pty Limited was appointed exclusive marketing agents and marketing has commenced for the sale of the property.

BRIBIE

The open style neighbourhood shopping centre is well located at Banksia Beach, Bribie Island, in close proximity to the Pacific Harbour development, bowls club, parks and Banksia Beach State School, with in excess of 800 students up to grade 7.

The centre commenced trading during 1985 and following acquisition by the Company in 2006, was refurbished and extended in 2008/2009.

The centre comprises three freestanding buildings with interconnecting walkways. The largest building comprises a 2,700sqm IGA supermarket, three specialty tenancies and 2 ATM's. The other two buildings comprise 8 and 11 tenancies, each incorporating original tenancies as well as recent additions. In total the NLA of 4,511sqm is serviced by on site car parking for approximately 360 vehicles. The broad tenancy profile includes IGA, Liquorland, Medical Centre, National Hearing Care, Discount Drug store, Newsagency, Bakehouse, Butcher, Take Away, Pool Shop and Hairdresser.

There are 6 vacant shops in the centre, equating to 425sqm or 9.4%. Filling the vacancies has proven to be difficult. Through the economic downturn, 2 tenancies were lost, however, we have recently signed agreements for the Medical centre to relocate and expand within the centre. Fitout works have commenced with completion expected early November, 2011. Management are hopeful that the expanded medical practice with more doctors, and planned internal sub-tenancies of QML and Bribie

Physio, will add further attraction to the centre as a destination and reinforce it as a viable and real alternative to the larger Woolworths centre on the Island, at Bongaree.

HOME HILL

This property consists of 2,226sqm of land, located in the main street of Home hill, which is approximately 100km south east of Townsville. The sole tenant is Farry's IGA with a 10 year initial lease term remaining with two 5 year options. The property includes 1,012 sqm of vacant undeveloped land at the rear of the existing building. Whilst this property was initially earmarked for redevelopment and expansion, these plans are on hold pending assignment of the current lease to a new IGA operator with a desire to expand, or a change in current plans by the Farry family.

The property currently returns in excess of 10% and at the appropriate time may either be realised or redeveloped.



ASHMORE TAVERN

The Ashmore Tavern is prominently situated on a single 8,944m² allotment. Located on the busy roundabout intersection of Currumburra St and Cotlew St, Ashmore on the Gold Coast, approximately 3 klm from Southport, the operation consists of the Tavern, incorporating a Sports Bar, Bistro/Lounge, Gaming Room with Drive Through and small function room underneath, an on-site Liquor Barn, and 3 off site bottle-shops.

The Taverns gaming room, consisting of 40 gaming machines, is regarded as one of the Gold Coast's best hotel gaming rooms. Planning, promotions and regular upgrades of machines and games has kept our gaming room exciting and popular.

The on-premise Bars and Bistro/Lounge have been performing reasonably well, despite market conditions and nearby road works, which are nearing completion. Management's focus on functions and on-premise promotions, under the "Family Food Friends" ethos, is gaining traction and transforming the tavern into a place where locals meet, network and enjoy the services the Tavern has to offer.

Recent weatherproofing and furnishing of the Sports Bar DOSA and Bistro/Lounge outdoor seating area, have been well received by

patrons, and is providing a more inviting environment for patrons.

Retail has been challenging. Whilst the major liquor outlets continue to dominate the press with "better than you, loss leading" promotions, independent operators like us suffer unless we change the way we do business. Management's challenge is to drive custom, through excellent personal service and consistent, reliable, everyday low pricing. The current retail liquor market, is already seeing a significant shift to home brand wines to avoid competitive pricing and increase outlet GP's, which are at low levels. The net result we feel will be a change in the retail liquor market, and our management is focused on meeting this change.

FUNDING

National Australia Bank has been the groups banking partner for more than 20 years, standing by us and supporting us during the brewing years when we were under immense financial pressure.

During the financial year, the groups borrowing facilities were extended to August 2012 and beyond. Our debt position has improved significantly over the past year, with funds from the capital raising, asset sale, and settlement of litigation matter being applied to reduce debt, providing a much needed buffer in the current environment.

We remain conscious of the impact of property yields and valuation upon LVR covenant compliance, hence borrowings are maintained at the lowest levels possible at all times, having regard to operational cash flow requirements.

Facilities are available for acquisitions and for asset improvement projects where such investments will increase value of the group's assets.

FUTURE DIRECTION

In this market we remain focused on maintaining strong income and diverting resources to improving our existing assets. If the opportunity arises to buy or sell an asset at good value, this will be favourably considered.

The main issues for the board are to see an improving share price and position the company to a stage where a dividend to shareholders may be paid.

MB Peacock
Managing Director



FINANCIAL REPORT – 30 JUNE 2011



EUMUNDI GROUP

EUMUNDI GROUP LIMITED ABN 30 010 947 476

[DIRECTORS' REPORT]

Your directors present their report on the consolidated entity (referred hereafter as the group) consisting of Eumundi Group Limited and its controlled entities report for the year ended 30 June 2011.

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 (unless otherwise stated):

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

2. Principal activities

During the year the principal 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 (which was sold in December 2010).

3. Dividends

No dividend was paid or declared by the group during or since the end of financial year ended 30 June 2011 (2010: \$nil).

4. Review of operations

Financial Results

Eumundi Group Limited recorded a profit after tax attributable to members of \$1,763,000 for the year ended 30 June 2011 (2010: loss of \$3,472,000).

The current year profit includes a fair value decrement on revaluation of investment properties of \$688,000 (2010: decrement of \$5,985,000).

Revenue from continuing activities of \$18,764,000 represents a decrease of 1.1% compared to \$18,975,000 for the prior year, which is a satisfactory result having regard for the current economic climate.

Hotel sales decreased by 7% to \$9,902,000 in the current year from \$10,677,000 in 2010, while cost of sales decreased 8.5% from \$7,951,000 in 2010 to \$7,271,000 in the current year. Gaming revenue has increased from \$3,310,000 to \$3,475,000 following the upgrade of the facilities in 2010.

Profit from investment properties of \$3,887,000 in the current year was \$465,000 above the profit of \$3,422,000 for the prior year due to higher net rentals and lower vacancy rates.

Other income of \$1,300,000 (2010: \$nil) was recognised in relation to a litigation matter which was settled during the year.

Fair value losses on investment properties of \$688,000 were recorded in 2011 (2010: \$5,985,000) due to further yield softening offsetting improved leasing arrangements.

Financing costs were \$2,956,000 in 2011 compared to \$2,433,000 in the previous year due to higher average interest rates during the current period as compared to the prior period average, offsetting a higher average level of debt through the prior year than in the current period.

Profit from discontinued operations of \$907,000 (2010: loss of \$98,000) mostly related to the sale of the property management business which the group owned 90%. Although the business was sold for approximately the same amount as the original purchase price, the underlying management rights had been amortised over the period of ownership which was effectively recouped on sale.

Financial Position

Net assets at 30 June 2011 were \$17,520,000, an increase of 39.6% from \$12,553,000 at 30 June 2010 due to the capital raising in November 2010 of \$2,343,000, profit for the year of \$1,763,000 and other comprehensive income of \$952,000.

Borrowings decreased from \$41,250,000 at 30 June 2010 to \$36,250,000 at 30 June 2011 with funds generated from the rights issue, disposal of subsidiary and settlement of legal matter being applied to debt reduction.

On 17 November 2010, the company issued 70,974,845 ordinary shares following the completion of a fully underwritten 1:1 rights issue at 3.5 cents per share to raise \$2,484,000 cash. As a result, issued share capital increased from 70,972,845 shares to 141,945,690 shares.

Net tangible asset backing was 12.0 cents per share at 30 June 2011 compared to 15.2 cents per share at 30 June 2010.

Dividends

The board consider that the capital growth of the company is essential and is committed to building the group's assets. Therefore it is not proposed to pay any dividends at this time.

5. Significant changes in the state of affairs

In December 2010 the Group sold their property management business.

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

6. Matters subsequent to the end of the financial year

Having recently received a number of unsolicited enquiries in respect of the Group's Aspley Shopping Centres, the Board resolved subsequent to end of year to seek expressions of interest for the acquisition of those centres.

There are no other matters or circumstances that have arisen since 30 June 2011 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 and although now retired, consults to the 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 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 has an extensive background in areas of investment and finance in a broad range of industries including property, mining, IT and education, and is currently Executive Chair of Site Group Ltd and Enhance Management Pty Ltd. Mr Wills was previously Chair of Dark Blue Sea Ltd, Deputy Chair of Queensland governments Major Sports Facilities Authority, director of CITEC and served on the National Competition Policy – Queensland Liquor Review. Mr Wills recently retired as a director of Careers Australia Group, GoTalk Pty Ltd and Greg Norman Golf Foundation.

Special responsibilities:

Chairman of the audit committee

Mark Beauchamp Peacock – Managing 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, having been admitted to practice law in Queensland by Supreme Court of Queensland in 1981. 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

[DIRECTORS' REPORT]

CONTINUED

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

Interests of directors

<i>Names of directors</i>	<i>Ordinary shares</i>	<i>Options</i>
J M Ganim	36,068,033	-
G De Luca	19,409,036	-
V A Wills	-	-
M B Peacock	1,184,838	-

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 2011, 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	10	3	3
G De Luca	10	10	3	3
V A Wills	10	10	3	3
M B Peacock	8	8	-	-

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 at 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 2011 was \$160,000 (2010: \$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:

	2007	2008	2009	2010	2011
Profit/(loss) after tax attributable to members (\$'000)	2,427	1,860	(4,183)	(3,482)	1,854
Dividends paid (\$'000)	-	-	-	-	-
Share price at end of year	31¢	22¢	8¢	5¢	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 2011 are set out in the following tables.

	Short term employee benefits			Post-employment benefits	Share based payments	Total	% Performance based
	Cash salary and fees*	Cash bonuses	Non-cash benefits	Superannuation	Options		
2011	\$	\$	\$	\$	\$	\$	%
Directors							
J M Ganim	55,046	-	-	4,954	-	60,000	-
G De Luca	45,872	-	-	4,128	-	50,000	-
V A Wills	50,000	-	-	-	-	50,000	-
M B Peacock ⁽¹⁾	194,866	-	4,081	14,400	-	213,347	-
Total	345,784	-	4,081	23,482	-	373,347	
Other key management personnel							
L Stanley	15,000	-	-	-	-	15,000	-
S Jacobi-Lee	161,661	10,000	-	14,037	-	185,698	5.4%
Total	176,661	10,000	-	14,037	-	200,698	
2010							
Directors							
J M Ganim	55,046	-	-	4,954	-	60,000	-
G De Luca	45,872	-	-	4,128	-	50,000	-
V A Wills	50,000	-	-	-	-	50,000	-
Total	150,918	-	-	9,082	-	160,000	
Other key management personnel							
M B Peacock	185,539	-	2,165	14,461	-	202,165	-
L Stanley	15,000	-	-	-	-	15,000	-
S Jacobi-Lee	156,002	-	-	13,998	-	170,000	-
Total	356,541	-	2,165	28,459	-	387,165	

* Amounts disclosed include leave entitlement accrued during the year

(1) M Peacock was appointed Managing Director on 2 September 2010. Before that date he held the position of Chief Executive Officer.

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

C. Service agreements

M B 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.

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 (2010: 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; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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	
	2011	2010
	\$	\$
Johnston Rorke		
Taxation compliance services	17,600	13,700

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.

A handwritten signature in black ink, appearing to read 'J M Ganim', with a horizontal line extending to the right.

J M Ganim
Director

Dated at Brisbane this 30th day of August 2011.

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 2011, 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



RCN WALKER
Partner

Brisbane, Queensland
30 August 2011

[CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME]
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations	5	18,764	18,975
Other income	6	1,300	170
Expenses			
Purchase of inventories		(7,516)	(7,694)
Change in inventories		245	(257)
Employee benefits expense		(2,739)	(2,661)
Depreciation and amortisation		(324)	(341)
Insurance		(75)	(60)
Operating lease rentals		(332)	(309)
Rates and taxes		(97)	(96)
Outgoings – investment properties		(1,023)	(1,119)
Net loss on fair value adjustment - investment properties	17	(688)	(5,985)
Gaming machine tax		(1,617)	(1,525)
Finance costs		(2,956)	(2,433)
Other expenses		(1,606)	(1,516)
Total expenses	7	<u>(18,728)</u>	<u>(23,996)</u>
Profit / (loss) before income tax from continuing operations		1,336	(4,851)
Income tax (expense) / benefit	8	<u>(389)</u>	<u>1,467</u>
Profit / (loss) for the year from continuing operations		947	(3,384)
Profit / (loss) from discontinued operation	36	<u>907</u>	<u>(98)</u>
Profit / (loss) for the year		<u><u>1,854</u></u>	<u><u>(3,482)</u></u>
Other comprehensive income			
Fair value gains on available-for-sale financial assets		(25)	(114)
Fair value revaluation of land and buildings		1,384	(2,552)
Income tax on items of other comprehensive income		(407)	800
Other comprehensive income for the period, net of tax		<u>952</u>	<u>(1,866)</u>
Total comprehensive income for the year		<u><u>2,806</u></u>	<u><u>(5,348)</u></u>
Profit / (loss) for the year is attributable to:			
Non-controlling interest		91	(10)
Owners of the parent		<u>1,763</u>	<u>(3,472)</u>
		<u><u>1,854</u></u>	<u><u>(3,482)</u></u>
Total comprehensive income / (loss) for the year is attributable to:			
Non-controlling interest		91	(10)
Owners of the parent		<u>2,715</u>	<u>(5,338)</u>
		<u><u>2,806</u></u>	<u><u>(5,348)</u></u>
Earnings per share for profit / (loss) from continuing operations attributable to the owners of the company:		Cents	Cents
Basic & diluted earnings per share	35	0.82	(4.78)
Earnings per share for profit / (loss) attributable to owners of the company:			
Basic & diluted earnings per share	35	1.53	(4.90)

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 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	937	751
Trade and other receivables	10	1,043	412
Inventories	11	1,306	1,551
Current tax asset		28	43
Other assets	13	378	358
TOTAL CURRENT ASSETS		3,692	3,115
NON-CURRENT ASSETS			
Other receivables	14	-	138
Available-for-sale financial assets	15	58	83
Property, plant and equipment	16	9,030	7,783
Investment properties	17	42,440	42,830
Deferred tax assets	18	379	881
Intangible assets	19	76	896
Other assets	20	9	117
TOTAL NON-CURRENT ASSETS		51,992	52,728
TOTAL ASSETS		55,684	55,843
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	1,874	1,918
Borrowings	22	868	23,211
Provisions	23	178	289
TOTAL CURRENT LIABILITIES		2,920	25,418
NON-CURRENT LIABILITIES			
Borrowings	24	35,244	17,872
TOTAL NON-CURRENT LIABILITIES		35,244	17,872
TOTAL LIABILITIES		38,164	43,290
NET ASSETS		17,520	12,553
EQUITY			
Contributed equity	25	11,038	8,695
Reserves	26(a)	3,059	2,180
Retained profits	26(b)	3,423	1,587
Parent entity interest		17,520	12,462
Non-controlling interest		-	91
TOTAL EQUITY		17,520	12,553

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 2011

	Notes	Contributed equity	Revaluation surplus	Retained earnings	Attributable to the owners of the parent	Non-controlling interest	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009		8,695	4,046	5,059	17,800	101	17,901
Loss for the year		-	-	(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	26	-	(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)
Balance at 30 June 2010		8,695	2,180	1,587	12,462	91	12,553
Profit for the year		-	-	1,763	1,763	91	1,854
Changes in fair value of available-for-sale financial assets - gross	15	-	(25)	-	(25)	-	(25)
Gain on revaluation of land and buildings - gross	16	-	1,384	-	1,384	-	1,384
Income tax relating to components of other comprehensive income	8	-	(407)	-	(407)	-	(407)
Total comprehensive income for the period		-	952	1,763	2,715	91	2,806
Contributions of equity net of transaction costs	25	2,343	-	-	2,343	-	2,343
Transfer from reserves		-	(73)	73	-	-	-
Dividend paid to non-controlling interest		-	-	-	-	(46)	(46)
Non-controlling interest in proceeds on disposal of subsidiary		-	-	-	-	(136)	(136)
Balance at 30 June 2011		11,038	3,059	3,423	17,520	-	17,520

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 2011

	Notes	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,799	21,766
Payments to suppliers and employees		(16,845)	(18,559)
Interest received		74	27
Finance costs		(2,920)	(2,465)
Income tax paid		(27)	(30)
Receipts from other debtors		150	150
Net cash inflows from operating activities	33	<u>2,231</u>	<u>889</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment properties		(252)	(1,087)
Payments for property, plant & equipment		(210)	(765)
Proceeds from disposal of property, plant and equipment		18	124
Proceeds from disposal of available-for-sale financial assets		-	231
Proceeds from disposal of subsidiary net of cash transferred	36	<u>1,162</u>	<u>-</u>
Net cash outflows from investing activities		<u>718</u>	<u>(1,497)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	25	2,484	-
Payments for share issue costs	25	(201)	-
Payment of dividend to non-controlling interest		(46)	-
Proceeds from borrowings		600	800
Repayment of borrowings		<u>(5,600)</u>	<u>(700)</u>
Net cash inflows from financing activities		<u>(2,763)</u>	<u>100</u>
Net increase/(decrease) in cash and cash equivalents		186	(508)
Cash and cash equivalents at beginning of year		<u>751</u>	<u>1,259</u>
Cash and cash equivalents at end of year	9	<u>937</u>	<u>751</u>

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

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 27. 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.

Changes in Accounting Standards and Regulatory requirements

There are a number of new and amended Accounting Standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2010. The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the Financial Report as a result of the mandatory new and amended Accounting Standards adopted.

(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 2011 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.

[NOTES TO THE FINANCIAL STATEMENTS]

FOR THE YEAR ENDED 30 JUNE 2011

CONTINUED

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.

(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.

(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).

1. Summary of significant accounting policies (continued)

(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 substantially 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.

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.

[NOTES TO THE FINANCIAL STATEMENTS]

FOR THE YEAR ENDED 30 JUNE 2011

CONTINUED

1. Summary of significant accounting policies (continued)

(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.

(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 expensed 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.

(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 2011

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 was 8 years.

(iii) Gaming licences

Gaming licences have an indefinite 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.

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(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.

(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

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year 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 Jan 2011	1 Jul 2011
AASB 9 <i>Financial Instruments – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 Jan 2013	1 Jul 2013
AASB 2010-4 <i>Amendments to Australian Accounting Standards Arising from the Annual Improvements Project</i>	1 Jan 2011	1 Jul 2011
AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>	1 Jan 2011	1 Jul 2011
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 Jan 2011	1 Jul 2011
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 Jan 2012	1 Jul 2012
AASB 1054 <i>Australian Additional Disclosures – new</i> and consequential amendments to other accounting standards resulting from its issue	1 Jan 2011	1 Jul 2011
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	1 Jul 2013	1 Jul 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 Jan 2013	1 Jul 2013
IFRS 11 <i>Joint Arrangements</i>	1 Jan 2013	1 Jul 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 Jan 2013	1 Jul 2013
IFRS 13 <i>Fair Value Measurement</i>	1 Jan 2013	1 Jul 2013
IAS 1 <i>Presentation of Financial Statements - revised</i>	1 Jul 2012	1 Jul 2012
IAS 19 <i>Employee Benefits – revised</i>	1 Jan 2013	1 Jul 2013

* 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 years 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. No significant changes are anticipated 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 contractual 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 the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the income statement. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement. The Group is yet to assess the impact of the new standard. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- AASB 2010-4 and AASB2010-5 – These amendments introduce various changes to IFRSs. The Directors have not yet assessed the impact of the amendments, if any.

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- AASB 2010-6 – These amendments increase the disclosure requirements for transactions involving transfers of financial assets under AASB 7 *Financial Instruments: Disclosures*. It requires enhanced disclosures for where an asset is transferred but not derecognised, plus, the introduction of new disclosures for assets that are derecognised but the entity continues to have an exposure to the asset after sale. The amendments are only expected to affect disclosures in the financial report in future periods as no comparative information is required.
- AASB 2010-8 – This amendment to AASB 112 *Income Taxes* provides a rebuttable presumption that the recovery of the carrying amount of an investment property carried at fair value in accordance with AASB140 *Investment Property*, will be through sale. As the Group currently applies the presumption that the fair value of its investment properties will be recovered through sale, there will be no impact on any amounts recognised in the financial statements.
- AASB 1054 – This standard is a consequence of Phase 1 of the joint Trans-Tasman Convergence project. As a result of it and the related standards, all Australian specific disclosures are relocated to this standard. In addition, a number of disclosures are revised. Some disclosures will be affected by these revisions, but no underlying numbers, as reported in the financial statements, are anticipated to change.
- AASB 2011-4 – This amendment proposes the removal of individual key management personnel (KMP) disclosure requirements from AASB124. This is to eliminate replication with the *Corporations Act 2001* and achieve consistency with the international equivalent standard. The KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the amounts recognised in the financial statements.
- IFRS 10, IFRS 11, IFRS 12 – These new standards are a suite of five standards dealing with consolidation, joint venture arrangements and related disclosures. The main features are –
 - IFRS 10 – Introduces a new control model and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*. The new model broadens the situations when an entity is considered to be controlled and is likely to lead to more entities being consolidated.
 - IFRS 11 – Replaces IAS31 *Interests in Joint Ventures* and uses the principle of control from IFRS 10 to define joint control. It also removes the option to account for jointly controlled entities using proportionate consolidation.
 - IFRS 12 – Requires disclosure of information pertaining to an entity's interests in subsidiaries, joint arrangement, associates and structures entities, including significant judgements and assumptions.

The Group is yet to assess the impact of these new standards.

- IFRS 13 – The new standard replaces the fair value measurement guidance contained in the various standards. It provides guidance on how to determine fair value by defining fair value and providing a framework for measurement, but does not change when an entity is required to determine fair value. It also expands the disclosures required when fair value is used. The Group is yet to assess the impact of this new standard, if any.
- IAS 1 – The amendments affect the presentation of items of other comprehensive income. Accordingly, only the presentation and disclosure of related items in the financial report are expected to be impacted.
- IAS 19 – These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amends the definition of short-term and other long-term employee benefits. The Group is yet to assess the impact of these amendments, if any.

(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
- 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:

	Consolidated	
	2011	2010
	\$'000	\$'000
Financial assets		
Cash and cash equivalents*	937	751
Trade and other receivables*	1,043	550
Available-for-sale financial assets	58	83
	<u>2,038</u>	<u>1,384</u>
Financial liabilities		
Trade and other payables**	1,874	1,918
Borrowings**	36,112	41,083
	<u>37,986</u>	<u>43,001</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.

(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 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. 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:

	30 June 2011		30 June 2010	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Bills payable	7.62%	36,112	7.19%	41,083

Sensitivity

At 30 June 2011, 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 \$253,000 lower/higher (2010 – change of 100 bps: \$285,000 lower/ higher), mainly as a result of a change in interest expense from borrowings.

[NOTES TO THE FINANCIAL STATEMENTS]
FOR THE YEAR ENDED 30 JUNE 2011
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2. Financial risk management (continued)

(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, receivable 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 two amounts totalling \$848,000 (2010: one amount of \$288,000) included in other receivables disclosed in notes 10.

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 2011, 2.4% of the group's debt will be payable in the next 12 months (2010: 56.5%).

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.

At 30 June 2011	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contract- ual cash flows	Carrying amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Non-derivatives							
Trade and other payables	1,874	-	-	-	-	1,874	1,874
Commercial bills	3,222	3,184	35,811	-	-	42,217	36,112
Total	5,096	3,184	35,811	-	-	44,091	37,986
At 30 June 2010	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contract- ual cash flows	Carrying amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Non-derivatives							
Trade and other payables	1,918	-	-	-	-	1,918	1,918
Commercial bills	1,982	23,585	1,290	18,181	-	45,038	41,083
Total	3,900	23,585	1,290	18,181	-	46,956	43,001

(d) Fair value estimation

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

The fair value of unlisted equity securities included in available-for-sale financial assets is the most recent sale price of the securities (being level 2 in accordance with *AASB 7 Financial Instruments: Disclosures*).

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 \$42,440,000 (2010: \$42,830,000), and land and buildings (included in property, plant & equipment) with a carrying amount of \$8,350,000 (2010: \$7,000,000) representing estimated fair value. These carrying amounts are based upon either independent valuations or on directors' valuations.

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% (2010: 8.63%).
- lease vacancy rates based upon gross leased area of 6.00% (2010: 4.71%).
- weighted average lease term based upon gross leased area of 6.69 years (2010: 7.26 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 11.00% (2010: 12.06%) in conjunction with recent market sales.

4. Segment information

(a) 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 2011
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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.

	Hotel operations	Investment Property	Property Management*	Total
2011	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	13,377	4,910	468	18,755
Intersegment sales	-	-	77	77
Total sales revenue	13,377	4,910	545	18,832
Other revenue/income	1,695	-	-	1,695
Total segment revenue/income	15,072	4,910	545	20,527
Intersegment elimination				77
Gain on disposal subsidiary				841
Interest revenue				82
Consolidated revenue/income				21,373
Less: Discontinued operation				(1,309)
Consolidated revenue/income from continuing operations				20,064
Results				
Segment results	1,865	3,887	38	5,790
Finance expenses				(2,945)
Unallocated revenue less unallocated expenses				(795)
Fair value adjustment on investment properties				(668)
Gain on disposal of subsidiary				841
Profit before income tax				2,223
Income tax expense				(369)
Profit for the year				1,854
Less: Profit from discontinued operation				(907)
Profit from continuing operations				947
Assets				
Segment assets	12,202	42,467	-	54,669
Tax asset				407
Unallocated assets				608
Total assets				55,684
Depreciation and amortisation	321	-	68	389
Unallocated				3
Total depreciation and amortisation				392

* Property Management results represent the operations until disposal on 9 December 2010 (refer note 36).

4. Segment information (continued)

	Hotel operations \$'000	Investment \$'000	Property management \$'000	Total \$'000
2010 Revenue				
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
Less: Discontinued operation				(843)
Consolidated revenue/income from continuing operations				19,145
Results				
Segment results	722	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)
Less: Loss from discontinued operation				98
Loss from continuing operations				(3,384)
Assets				
Segment assets	10,742	42,921	934	54,597
Deferred tax assets				881
Unallocated assets				365
Total assets				55,843
Depreciation and amortisation	337	-	188	525
Unallocated				3
Total depreciation and amortisation				528

5. Other revenue

	2011 \$'000	2010 \$'000
Sale of goods	9,902	10,677
Gaming revenue	3,475	3,310
Rental income and recoveries from investment properties	4,910	4,542
	18,287	18,529
Interest	72	25
Imputed interest on long term receivable	10	17
Commissions	176	147
Other	219	257
Total revenue	18,764	18,975

6. Other income

	2011 \$'000	2010 \$'000
Settlement of litigation*	1,300	-
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
	1,300	170

*The Group has resolved litigation in its favour resulting in the payment of \$1,300,000 by instalments of \$600,000 received in June 2011 and the balance of \$700,000 due on or before 31 December 2011.

[NOTES TO THE FINANCIAL STATEMENTS]

FOR THE YEAR ENDED 30 JUNE 2011

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7. Expenses

	2011	2010
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
Cost of goods sold	7,271	7,951
Depreciation		
- Buildings	69	78
- Plant and equipment – continuing	252	261
– discontinued	-	7
Total depreciation	<u>321</u>	<u>346</u>
Amortisation – intangibles - continuing	3	2
– discontinued	68	180
	<u>71</u>	<u>182</u>
Finance costs		
- Amortisation of loan establishment costs	12	19
- Interest and finance charges paid/payable	2,944	2,396
	<u>2,956</u>	<u>2,415</u>
Operating lease rentals – minimum lease payments	332	309
Defined contribution superannuation expense	223	231

8. Income tax

	2011	2010
	\$'000	\$'000
(a) Income tax expense/(benefit)		
Current tax	170	64
Deferred tax	199	(1,572)
	<u>369</u>	<u>(1,508)</u>
Attributable to:		
Continuing operations	389	(1,467)
Discontinuing operations	(20)	(41)
	<u>369</u>	<u>(1,508)</u>

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

Loss before income tax - continuing operations	1,336	(4,851)
- discontinuing operations	887	(139)
	<u>2,223</u>	<u>(4,990)</u>
Income tax at the Australian tax rate of 30% (2010: 30%)	667	(1,497)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sale of subsidiary	(283)	-
Dividend from subsidiary outside tax consolidated group	176	-
Franking credits	(176)	-
Sundry items	(15)	(11)
Income tax expense/(benefit)	<u>369</u>	<u>(1,508)</u>

(c) Deferred income tax at 30 June relates to the following:

Investment properties	791	931
Property, plant and equipment	(1,019)	(616)
Intangibles	-	(245)
Employee benefits	54	87
Accrued expenses	20	19
Sundry items	(108)	39
Tax losses	641	666
Net deferred tax assets	<u>379</u>	<u>881</u>

8. Income tax (continued)

Movement in deferred tax:	2011	2010
	\$'000	\$'000
At 1 July	881	(1,451)
Charged/credited to profit or loss	(199)	1,572
Charged/credited to other comprehensive income	(407)	800
Charged/credited to equity	60	-
Tax losses utilised	(162)	(40)
Sale of subsidiary (note 36)	206	-
At 30 June	379	881

(d) Tax expense (income) relating to items of other comprehensive income

Loss on revaluation of land and buildings	415	(767)
Changes in fair value of available-for-sale financial assets	(8)	(33)
	407	(800)

(e) Amounts recognised directly in equity

Share issue costs	(60)	-
	(60)	-

(f) 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.

(g) Franking credits

	2011	2010
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	710	518

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. Cash and cash equivalents

	2011	2010
	\$'000	\$'000
Cash at bank and in hand	937	751

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

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10. Trade and other receivables	2011 \$'000	2010 \$'000
Trade receivables	93	128
Settlement receivable	700	-
Consideration receivable	61	-
Other receivables	189	284
	<u>1,043</u>	<u>412</u>

Settlement receivable

Refer note 6 for details.

Consideration receivable

The consideration receivable represents the remaining amount due on the sale of the Group's 90% holding in Keendove Holdings Pty Ltd (refer note 36) and was received by the Group on 1 July 2011.

Other receivables

Other receivables includes amounts owing by Foster's Group Limited of \$148,000 (2010: \$288,000), being the proceeds from termination of a brewing contract. A final instalment of \$150,000 is due on 1 November 2011.

Impaired trade receivables

The group has no impaired receivables as at 30 June 2011 (2010: \$nil).

Past due but not impaired

There are no significant receivables for either 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.

11. Inventories	2011 \$'000	2010 \$'000
Finished goods – at cost	<u>1,306</u>	<u>1,551</u>

Inventories recognised as expense during the period ended 30 June 2011 amounted to \$7,271,000 (2010: \$7,951,000).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to \$Nil (2010: \$21,000). The expense has been included in costs of goods sold in profit or loss.

12. Current assets – Available-for-sale financial assets	2011 \$'000	2010 \$'000
Shares in listed companies – at fair value	<u>-</u>	<u>-</u>
At beginning of year	-	239
Fair value adjustment – transfer to equity	-	(6)
Disposal of available-for-sale financial assets	-	(233)
At end of year	<u>-</u>	<u>-</u>

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

13. Other current assets	2011 \$'000	2010 \$'000
Short term deposits	45	45
Prepayments	225	205
Deferred costs	108	108
	<u>378</u>	<u>358</u>

14. Non-current assets – Other receivables	2011 \$'000	2010 \$'000
Other receivables*	<u>-</u>	<u>138</u>

* Refer note 10

15. Non-current assets – Available-for-sale financial assets	2011 \$'000	2010 \$'000
Unlisted securities - at fair value	58	83
At beginning of year	83	108
Fair value adjustment – transfer to equity	(25)	(25)
At end of year	58	83

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

16. Property, plant and equipment

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2009				
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
Year ended 30 June 2010				
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
At 30 June 2010				
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
Year ended 30 June 2011				
Opening net book amount	4,900	2,100	783	7,783
Revaluation increment	(550)	1,934	-	1,384
Additions	-	35	175	210
Disposals	-	-	(18)	(18)
Disposal of subsidiary (note 36)	-	-	(8)	(8)
Depreciation charge	-	(69)	(252)	(321)
Closing net book amount	4,350	4,000	680	9,030
At 30 June 2011				
Cost or fair value	4,350	4,000	1,436	9,786
Accumulated depreciation	-	-	(756)	(756)
Net book amount	4,350	4,000	680	9,030

(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 2010 and 2011 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 net revaluation increment of \$1,384,000 (2010: decrement of \$2,552,000).

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.

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FOR THE YEAR ENDED 30 JUNE 2011
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16. 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:

	2011	2010
	\$'000	\$'000
Freehold land		
Cost	3,026	3,026
Accumulated depreciation	-	-
Net book amount	<u>3,026</u>	<u>3,026</u>
Buildings		
Cost	1,876	1,851
Accumulated depreciation	(266)	(247)
Net book amount	<u>1,610</u>	<u>1,604</u>

17. Investment properties

	2011	2010
	\$'000	\$'000
At fair value		
At beginning of year	42,830	47,585
Capitalised subsequent expenditure	252	1,026
Straight line rentals	46	204
Net loss from fair value adjustment	(688)	(5,985)
At end of year	<u>42,440</u>	<u>42,830</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 2011 the fair value assessment for Bribie Harbour Shopping Village was based on an independent valuation made by a member of the Australian Property Institute. The 30 June 2011 fair value assessments for Aspley Shopping Centre, Aspley Arcade Shopping Centre Home, and Hill Shopping Centre investment properties were based upon directors' internal valuations.

In arriving at fair value, the directors considered the most recent independent valuations of the properties, market enquiries, other contracts and recent prices for similar properties; and capitalised income projections based upon the property's net market income. 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	2011 \$'000's	2010 \$'000's
Aspley Shopping Centre	Mar 2004	17,362	Mar 2010	17,800	17,800	17,800
Bribie Harbour Shopping Village	Nov 2005	16,459	Jun 2011	11,200	11,200	11,700
Home Hill Shopping Centre	Jan 2007	1,621	Feb 2011	1,600	1,640	1,530
Aspley Arcade Shopping Centre	Jun 2007	13,000	Mar 2010	11,800	11,800	11,800
					<u>42,440</u>	<u>42,830</u>

* excluding acquisition costs

Following receipt of a number of unsolicited enquiries in respect of the Aspley Shopping Centre and Aspley Arcade Shopping Centre, the directors resolved subsequent to end of year to seek expressions of interest for the potential sale of those properties.

17. 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.

(c) Amounts recognised in profit or loss for investment properties	2011 \$'000	2010 \$'000
Rental income and recoveries from investment properties	4,910	4,542
Direct operating expenses from properties that generated rental income	(1,023)	(989)
	3,887	3,553

(d) Contractual obligations

In 2010 A contract was 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 in 2011.

(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:

	2011 \$'000	2010 \$'000
Within one year	3,743	4,420
Later than one year but not later than five years	10,718	13,580
Later than five years	8,170	9,888
Total	22,631	27,888

18. Deferred tax assets	2011 \$'000	2010 \$'000
Net deferred tax assets (note 8)	379	881

19. Intangible assets

	Hotel Licences \$'000	Manage ment Rights \$'000	Total \$'000
At 30 June 2009			
Cost or fair value	104	2,054	2,158
Accumulated amortisation	(23)	(1,057)	(1,080)
Net book amount	81	997	1,078
Year ended 30 June 2010			
Opening net book amount	81	997	1,078
Amortisation charge	(2)	(180)	(182)
Closing net book amount	79	817	896
At 30 June 2010			
Cost or fair value	104	2,054	2,158
Accumulated amortisation and impairment	(25)	(1,237)	(1,262)
Net book amount	79	817	896
Year ended 30 June 2011			
Opening net book amount	79	817	896
Disposal of subsidiary (refer to note 36)	-	(749)	(749)
Amortisation charge	(3)	(68)	(71)
Closing net book amount	76	-	76
At 30 June 2011			
Cost or fair value	104	-	104
Accumulated amortisation and impairment	(28)	-	(28)
Net book amount	76	-	76

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FOR THE YEAR ENDED 30 JUNE 2011

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19. 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. The management rights were disposed of in 2011 (refer note 36).

	2011	2010
	\$'000	\$'000
20. Other non-current assets		
Deferred costs	9	117
	<hr/>	<hr/>
21. Trade and other payables		
Trade payables	1,874	1,918
	<hr/>	<hr/>
22. Current liabilities – Borrowings		
Commercial bills - secured	868	23,211
	<hr/>	<hr/>
Refer to note 24 for details regarding financing arrangements.		
23. Current liabilities – Provisions	2011	2010
	\$'000	\$'000
Employee benefits	178	289
	<hr/>	<hr/>

24. Non-current liabilities – Borrowings	2011 \$'000	2010 \$'000
Commercial bills – secured	35,244	17,872

(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:

	2011 \$'000	2010 \$'000
Credit standby arrangements		
Total facilities		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facility	40,265	42,565
	40,765	43,065
Used at balance date		
Bank overdraft	-	-
Finance lease liabilities	-	-
Commercial bill facility *	36,250	41,250
	36,250	41,250
Unused at balance date		
Bank overdraft	100	100
Finance lease liabilities	400	400
Commercial bill facility	4,015	1,315
	4,515	1,815

* 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 (2010: \$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.

Amount drawn (Face Value)		Interest rate		Interest type	Expiry date	Repayment terms
2011 \$'000	2010 \$'000	2011 %	2010 %			
12,500	12,350	7.6	7.2	Variable	31/08/12	Interest only until expiry
13,850	14,500	7.6	7.2	Variable	31/08/12	Interest only until expiry
3,000	3,450	7.6	7.1	Variable	31/01/13	Interest only until expiry
3,900	7,000	7.7	7.2	Variable	31/08/12	Quarterly amortisation of \$250,000 until expiry
3,000	3,950	7.6	7.1	Variable	31/08/12	Interest only until expiry
36,250	41,250					

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FOR THE YEAR ENDED 30 JUNE 2011
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24. Non-current liabilities - Borrowings (continued)

Finance lease liabilities

The group has a lease finance facility of \$400,000 (2010: \$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.

25. Contributed equity

	2011	2010	2011	2010
	Number of	Number of	\$'000	\$'000
	shares	shares	\$'000	\$'000
Share capital				
Fully paid ordinary shares	141,949,690	70,974,845	11,038	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

	Number of	Issue Price	\$'000
	Shares	¢	\$'000
Balance at 30 June 2010	70,974,845		8,695
Shares issued under Rights Issue	70,974,845	3.5	2,484
Share issue costs (net of tax)	-	-	(141)
Balance at 30 June 2011	141,949,690		11,038

On 17 November 2010, the company issued 70,974,845 ordinary shares following the completion of a 1:1 right issue announced on 7 October 2010 to raise \$2,484,000 cash.

There was no movement in share capital in the 2010 financial year.

Options

As at 30 June 2011, there were no options to purchase ordinary shares in the parent entity (2010 – 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 2011 and 30 June 2010 were as follows:

	2011	2010
	\$'000	\$'000
Total borrowings	37,986	43,001
Less: cash and cash equivalents	(937)	(751)
Net debt	37,049	42,250
Total equity	17,520	12,553
Total capital	54,569	54,803
Gearing ratio	67.89%	77.52%

26. Reserves and retained profits

(a) Reserves	2011 \$'000	2010 \$'000
Available-for-sale asset revaluation surplus	-	90
Property, plant and equipment revaluation surplus	3,059	2,090
	3,059	2,180

Movements in reserves:

<i>Property, plant and equipment revaluation surplus</i>		
Balance at the beginning of the year	2,090	3,875
Gain/(loss) on revaluation of freehold land and buildings (net of tax) *	969	(1,785)
Balance at the end of the year	3,059	2,090

* Gross gain/(loss) before tax - \$1,384,000 (2010 - \$(2,552,000))

<i>Available-for-sale asset revaluation surplus</i>		
Balance at the beginning of the year	90	171
Change in fair value of unlisted securities (net of tax) *	(17)	(17)
Change in fair value of listed securities (net of tax) **	-	19
Transfer to retained earnings	(73)	-
Transfer in fair value of listed securities to profit or loss	-	(83)
Balance at the end of the year	-	90

* Gross loss before tax - \$(25,000) (2010 - \$(25,000))

** Gross gain/(loss) before tax - \$nil (2010 - \$(89,000))

(b) Retained profits

Retained profits at the beginning of the year	1,587	5,059
Transfer from reserves	73	-
Profit/(loss) for the year attributable to owners of the company	1,763	(3,472)
Retained profits at the end of the year	3,423	1,587

(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.

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27. Parent entity financial information

(a) Summary financial information

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

	2011 \$'000	2010 \$'000
Balance sheet		
Current assets	100	-
Total assets	14,372	12,950
Current liabilities	-	4,277
Total liabilities	3,000	4,277
<i>Shareholders equity</i>		
Issued capital	11,038	8,695
Retained earnings/ (losses)	334	(22)
	<u>11,372</u>	<u>8,673</u>
Profit / (loss) for the year	<u>356</u>	<u>(2,746)</u>
Total comprehensive income	<u>356</u>	<u>(2,746)</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.

28. Key management personnel disclosures

(a) Key management personnel compensation

	2011 \$	2010 \$
Short-term employee benefits	536,526	509,624
Post-employment benefits	37,519	37,541
	<u>574,045</u>	<u>547,165</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 (2010: nil).

28. 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 (2010: 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	Take up of Rights Issue entitlement	Underwriting allocation under Rights Issue	Net change other	Balance at end of year
2011					
Directors					
J M Ganim	15,535,335	15,535,335	6,280,163	-	37,350,833
G De Luca	8,500,711	8,500,711	3,436,414	-	20,437,836
V A Wills	-	-	-	-	-
M Peacock ⁽¹⁾	592,419	592,419	-	-	1,184,838
Other key management personnel					
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-
2010					
Directors					
J M Ganim	15,535,335	-	-	-	15,535,335
G De Luca	8,496,711	-	-	4,000	8,500,711
V A Wills	-	-	-	-	-
Other key management personnel					
M Peacock	592,419	-	-	-	592,419
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-

⁽¹⁾ M Peacock was appointed managing director on 2 September 2010.

(c) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year (2010: \$nil).

(d) Other transactions with key management personnel

Directors

JM Ganim was formerly a partner of Hopgood Ganim, a firm of solicitors which provides legal services to the group under normal commercial terms and conditions. He retired as a partner in 2009. Details of services provided by Hopgood Ganim to the Group are no longer considered to be related party transactions.

In November 2010 the company undertook a rights issue which was fully underwritten by Taylor Collison Limited. In turn, entities related to JM Ganim and G De Luca entered into a sub-underwriting agreement with Taylor Collison whereby they agreed to sub-underwrite a maximum of 47,316,563 shares (being \$1,656,080), for a fee. The rights issue was not fully subscribed and as a result, JM Ganim and G De Luca purchased 6,280,163 shares (being \$219,805) and 3,436,414 shares (being \$120,275) respectively under this sub-underwriting agreement. They received a fee of \$37,463 and \$20,500 respectively.

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29. 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:

	2011	2010
	\$	\$
Audit and review of financial reports	53,000	59,500
Tax compliance services	17,600	13,700
	<u>70,600</u>	<u>73,200</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.

30. Contingencies

The group has received a payment from a former lessee. After settling rental arrears under the lease, an amount of \$425,000 remains in trust with the Group's solicitors. This amount becomes payable to Eumundi upon commencement of a new lease, in exchange for releasing the former lessee from any further liability under the lease. In the event that the new lease is not completed, the Group can still recover further damages from the former lessee and its guarantors.

The Group has no other material contingencies.

31. Commitments

Operating leases

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

	2011	2010
	\$'000	\$'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:		
Within one year	221	201
Later than one year but not later than five years	231	219
	<u>452</u>	<u>420</u>

32. 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*	
			2011	2010
Eumundi Property Group Pty Ltd	Australia	Ordinary	100%	100%
Eumundi Group Hotels Pty Ltd	Australia	Ordinary	100%	100%
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%
Keendove Holdings Pty Ltd**	Australia	Ordinary	-	90%

* The proportion of ownership interest is equal to the proportion of voting power held.

** Disposed of in 2011. Refer note 36.

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

	2011	2010
	\$'000	\$'000
Profit / (loss) for the year	1,854	(3,482)
Depreciation and amortisation	392	528
Gain on disposal of subsidiary	(841)	-
Straight line rental adjustment	(46)	(204)
Net loss on fair value adjustment of investment properties	688	5,985
Gain on disposal of available-for-sale financial asset	-	(81)
Gain on disposal of property , plant and equipment	-	(89)
Other	19	2
Changes in operating assets and liabilities (net of assets disposed):		
(Increase)/decrease in:		
Trade receivables	(628)	29
Other receivables	150	150
Inventories	245	(256)
Other current assets	75	(268)
Increase/(decrease) in:		
Trade and other payables	28	110
Income tax payable	(19)	(4)
Deferred tax asset/liability*	361	(1,528)
Employee benefits	(47)	(3)
Cash flows from operating activities	2,231	889

* net of amounts recognised directly in equity

34. Non-cash investing and financing activities

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

35. Earnings per share

(a) Basic & diluted earnings per share	2011	2010
From continuing operations attributable to owners of the company	0.82¢	(4.78)¢
From discontinued operations	0.71¢	(0.12)¢
Total basic & diluted earnings per share attributable to owners of the company	1.53¢	(4.90)¢

(b) Weighted average number of shares used as the denominator	Number of shares	
	2011	2010
Weighted average number of ordinary shares used in calculating basic earnings per share	114,920,913	70,974,845
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	114,920,913	70,974,845

There are no dilutive potential ordinary shares.

[NOTES TO THE FINANCIAL STATEMENTS]
FOR THE YEAR ENDED 30 JUNE 2011
CONTINUED

36. Discontinued Operation

On 9 December 2010, the Group disposed of its shares (90% holding) in Keendove Holdings Pty Ltd for consideration of \$1,307,000. The financial performance and cash flow information presented below are for the five months to 9 December 2010 and the prior year comparative is for the year ended 30 June 2010.

	9 Dec 10	30 June 2010
	\$'000	\$'000
Revenue	555	988
Expenses	(509)	(1,127)
Profit/(loss) before income tax	46	(139)
Income tax (expense)/ benefit	(10)	41
Profit/(loss) after income tax of discontinued operations	36	(98)
Gain on sale of subsidiary before income tax	841	-
Income tax (expense)/benefit	30	-
Gain on disposal of subsidiary after income tax	871	-
Profit/(loss) from discontinued operation	907	(98)
Net cash inflow from operating activities	68	9
Net cash inflow from investigating activities (2011 includes an inflow of \$1,162,000 from the sale of subsidiary)	1,493	(2)
Net cash (outflow) from financing activities	(457)	-
Net increase in cash generated by the subsidiary	1,104	7

The carrying amount of assets and liabilities as at 9 December 2010 were:

	\$'000
Assets	
Cash and cash equivalents	6
Trade and other receivables	56
Other assets	13
Current tax asset	34
Plant and equipment	8
Deferred tax asset	19
Intangible – management rights	749
	<u>885</u>
Liabilities	
Trade and other payables	72
Provisions	64
Deferred tax liabilities	225
	<u>361</u>
Net assets	<u>524</u>
Consideration received or receivable:	
Cash	1,384
Amount owing	67
Total consideration	1,451
Carrying amount of net assets sold	(524)
Costs of sale	(86)
Gain on sale before income tax	841
Income tax benefit	30
Gain on sale after income tax	<u>871</u>
Allocation of gain on sale between:	
Owners of the parent	784
Non-controlling interest	87
	<u>871</u>

37. Events Subsequent to Balance Date

Having recently received a number of unsolicited enquiries in respect of the Group's Aspley Shopping Centres, the Board resolved subsequent to end of year to seek expressions of interest for the acquisition of those centres.

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 2011 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 2011 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 August, 2011.

**Independent Auditor's Report
To the Members of Eumundi Group Limited**

Report on the Financial Report

We have audited the accompanying financial report of Eumundi Group Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

Liability limited by a scheme approved under Professional Standards Legislation

Opinion

In our opinion:

- (a) the financial report 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated 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 12 - 14 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Eumundi Group Limited for the year ended 30 June 2011 complies with Section 300A of the *Corporations Act 2001*.

JOHNSTON RORKE
Chartered Accountants



RCN WALKER
Partner

Brisbane, Queensland
30 August 2011

[CORPORATE GOVERNANCE STATEMENT]

This statement and information identified therein is available on the company's website at 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.

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.

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 2011 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.

[CORPORATE GOVERNANCE STATEMENT] CONTINUED

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 2011 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.

In 2011 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.

The shareholder information below was applicable as at 26 August 2011.

A. Distribution of Equity Securities

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

Ordinary Shares	
1 – 1,000	127
1,001 – 5,000	469
5,001 – 10,000	240
10,001 – 100,000	230
100,001 and over	108
	1,174

There are 733 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	20,190,436	14.22
2. Ganboys Pty Ltd	11,316,855	7.97
3. Ganbros Pty Ltd	10,685,991	7.53
4. Natpac Financial Services Pty Ltd - Robert Blann Superfund	10,213,692	7.20
5. Gansons Pty Ltd	9,506,663	6.70
6. Mrs. Tracy Fraser	5,111,497	3.60
7. Archer Management Pty Ltd – Archer Super Fund	3,498,608	2.46
8. Jalsea Pty Ltd	3,308,914	2.33
9. RBC Dexia Investor Services Australia Nominees Pty Ltd	2,860,000	2.01
10. Mr. J M Ganim	2,652,800	1.87
11. Wilhelm Super Fund Account	2,283,199	1.61
12. Atkone Pty Ltd	2,168,731	1.53
13. Ruminator Pty Ltd	2,168,731	1.53
14. Atkins Steelcraft Pty Ltd	2,022,000	1.42
15. Phillips Consolidated Pty Ltd – Phillips Family Super Fund	1,981,264	1.40
16. Keiser Shipping and Transport Pty Ltd	1,935,199	1.36
17. Agpro Pty Ltd – Joe Ganim Super Fund	1,905,724	1.34
18. Caske Family Superannuation Pty Ltd – Caske Family Super Fund	1,800,000	1.27
19. Miek Pty Ltd – The Tutt Super Fund Account	1,450,863	1.02
20. Rogand Pty Ltd – Super Fund Account	1,321,627	0.93
Total	98,382,794	69.31

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
De Luca Group Superannuation Fund – De Luca Group Super Fund	20,190,436	14.22
Ganboys Pty Ltd	11,316,855	7.97
Ganbros Pty Ltd	10,685,991	7.53
Natpac Financial Services Pty Ltd - Robert Blann Superfund	10,213,692	7.20
Gansons Pty Ltd	9,506,663	6.70

D. Voting rights

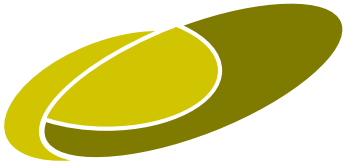
The voting rights attached to each class of equity securities are set out below:

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.



EUMUNDI GROUP



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