

Eureka Group Holdings Limited

ABN: 15 097 241 159

Current period

1 July 2021 - 31 December 2021

Previous corresponding period

1 July 2020 - 31 December 2020

Results for announcement to the market

Summary financial information	Period ended 31 December 2021 A\$000	Period ended 31 December 2020 A\$000	Change %
Revenue from ordinary activities	14,802	13,645	+8.5%
Underlying EBITDA ¹	5,129	5,233	-2.0%
Profit before tax	5,004	4,094	+22.2%
Profit from ordinary activities after tax and net profit for the period attributable to members	4,033	3,070	+31.4%

Dividends	Amount per security Cents	Franked amount
Interim dividend (FY22) Final dividend (FY21)	0.63 0.59	Nil Nil
FY22 interim dividend dates Ex-dividend date Record date DRP Election date Payment date	1 March 2022 2 March 2022 7 March 2022 23 March 2022	
The dividend reinvestment plan (DRP) dated 26 February 2021 will be in operation for the interim dividend. To participate in the DRP, an online election or election form must be received by the share registry no later than the DRP Election Date noted above. The DRP rules can be downloaded at https://www.eurekagroupholdings.com.au/investors/corporate-governance/ .		

Additional financial information	Period ended 31 December 2021	Period ended 31 December 2020	Change %
Earnings per ordinary share (EPS)	1.73 cents	1.33 cents	+30.0%
Diluted earnings per share	1.72 cents	1.33 cents	+29.3%

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

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

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

Net tangible assets per security	31 December 2021 Cents	31 December 2020 Cents
Net tangible assets backing per ordinary security	39.0	36.4

Details of entities over which control has been gained or lost

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

Details of associates or joint venture entities

Names of joint venture entities	Affordable Living Services Unit Trust Affordable Living Unit Trust	
Percentage of holding in joint venture entities	50%	
	Period ended 31 December 2021 \$A'000	Period ended 31 December 2020 \$A'000
Aggregate share of profits from joint venture entities	467	917
Contribution to net profit from joint venture entities	467	917

Foreign entities accounting

N/A

Status of audit

The attached Half-Year Financial Report for the period ended 31 December 2021 has been reviewed by the auditor and the Independent Auditor's Review Report is included in the Half-Year Financial Report. No disputes or qualifications are noted.

Attachments forming part of Appendix 4D

1 Half-Year Financial Report for the period ended 31 December 2021



Murray Boyte
Executive Chair

Dated in Brisbane this 23rd day of February 2022

For personal use only

Half-Year Financial Report

31 December 2021





ABN: 15 097 241 159

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Directors' Report

The Directors present their report on Eureka Group Holdings Limited (the Company) and its controlled entities (the Group, Eureka or the Consolidated Entity) for the half-year ended 31 December 2021 (the period).

DIRECTORS

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

Murray Boyte
Sue Renkin
Russell Banham
Greg Paramor AO

PRINCIPAL ACTIVITIES

The principal activities of the Group include the provision of:

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

REVIEW OF OPERATIONS AND RESULTS

The Group has reported a profit before tax for the period of \$5.00 million (2020: \$4.09 million) and a profit after tax of \$4.03 million (2020: \$3.07 million). Underlying EBITDA¹ was \$5.13 million (2020: \$5.23 million) and Underlying Profit Before Tax² was \$3.49 million (2020: \$3.57 million).

The growth in the Group's reported profit before and after tax is due to the increased revenue and profit contribution from acquisitions and firming capitalisation rates which resulted in a net increase in the fair value of investment properties during the period.

Revenue growth is attributable to organic rental growth in existing villages, the acquisition of a village in Brassall Qld during the period and ownership of the villages in Hervey Bay, Qld and Earlville, Qld for the whole period.

Occupancy has been stable during the period and was 97% at balance date (30 June 2021: 98%). Most villages are operating at a consistent occupancy rate in excess of 98%. The Group actively manages its asset base and from time to time, certain assets are repositioned for the long term benefit of the village and Group performance but may experience a temporary reduction in occupancy during this process.

The Group's is committed to growth through asset acquisition and development opportunities. Investment in people, systems and brand is a prerequisite to upscaling the business. During the period, the Group established a corporate office in Brisbane, invested in people to enhance team capability and commenced the technology improvement project. Investment in these critical areas has caused the Underlying EBITDA result to be 2% below the prior period, as employee expenses and overhead costs increased compared with the prior period.,

The prior period reported profit included a gain of \$0.28 million on the sale of units at Terranora. The disposal program for these units was completed by 30 June 2021 so there is no corresponding result during the period.

The financial impact of COVID-19 has been minimal.

The Group's statutory tax rate is 25% (2020: 30%). No cash tax will be payable until the Group has utilised its carry forward revenue tax losses.

Net operating cash flow for the period was \$2.82 million (2020: \$4.05 million). The prior period result was higher due to timing of an insurance receipt, Government support received to mitigate COVID-19 expenses and favourable working capital adjustments. The increase in employee and overhead costs during the period has also contributed to a lower net operating cash flow for the period.

Directors' Report

At 31 December 2021, Eureka owned 32 villages (30 June 2021: 32), 5 of which are owned in a joint venture, and has 9 villages under management, representing 2,261 units (30 June 2021: 2,191 units).

A summary of the Group's performance and reconciliation to the Group's Underlying EBITDA¹ is shown below:

Performance Summary

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Reported results		
Profit before income tax expense	5,004	4,094
Profit after income tax expense	4,033	3,070
Basic earnings per share (cents)	1.73	1.33
Diluted earnings per share (cents)	1.72	1.33

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Underlying EBITDA reconciliation		
Profit after income tax expense	4,033	3,070
Income tax expense	971	1,024
Depreciation and amortisation	345	303
Finance costs	1,293	1,358
EBITDA ¹	6,642	5,755
Net gain on revaluation of properties including joint venture properties	(1,871)	(258)
Impairment of intangible and other assets	-	59
Net (profit)/ loss on sale of assets	38	(284)
Non-recurring costs	271	-
Other	49	(39)
Underlying EBITDA ¹	5,129	5,233
Underlying profit before tax ²	3,491	3,572

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

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

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

Financial position

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

		Consolidated	
		31 Dec 2021 \$'000	30 June 2021 \$'000
Total assets	\$'000	173,066	158,969
Net assets	\$'000	94,894	90,880
Cash and cash equivalents	\$'000	1,584	1,890
Debt – bank loan	\$'000	65,386	57,175
Shares on issue	'000	234,669	232,384
Net tangible assets per share	cents	39.0	37.5
Balance sheet gearing ¹	%	40.2	37.8

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

Significant balance sheet movements during the period are disclosed below.

Directors' Report

Acquisitions and asset management

During the period, the Group acquired one rental village for consideration of \$6.5 million in Brassall, Qld consisting of 59 relocatable homes and land for development. The Group also acquired a greenfield development site in Kingaroy, Qld comprising a 2.09 hectare parcel of land for consideration of \$0.74 million and an additional two units in its strata-titled village in Rockhampton, Qld for \$0.26 million.

The Group spent \$2.12 million on the 22-unit expansion at the Wynnum village during the period, and a further \$1.5 million on enhancing its owned villages through capital improvements including expenditure on its solar energy program, community room upgrades and unit refurbishments. There were no other significant acquisitions made during the period.

Planning for the 47-unit Brassall expansion and 110-unit Kingaroy development is underway and subsequent to balance date, the Wynnum village expansion has been completed with all of the new units now fully rented and occupied.

During the period the Group entered into conditional contracts for the acquisition of the management and letting rights and associated real estate (manager's units) for six villages consisting of 330 managed units in south-east Queensland that provide affordable rental accommodation for seniors. Total consideration is \$6.10 million with settlement expected in March 2022.

Additionally, the Group has entered into a conditional Heads of Agreement to acquire a 46-unit village in Bowen, Qld. Total consideration for the acquisition is \$5.10 million with settlement expected in May 2022.

Disposals

Capital recycling is a key factor in the Group's growth strategy. Assets will be recycled where they are non-core or cease to meet target performance levels, risk appetite levels or efficiency metrics.

At balance date, the Group had an unconditional contract to dispose of two Townsville, Qld properties, known as Belgian Gardens and South Townsville, comprising a total of 32 units. Total consideration is \$3.00 million which is in line with the assets' carrying value at balance date and settlement is scheduled for March 2022.

During the period, the Group sold and settled 12 rental units at the Tivoli, Qld village for consideration of \$0.65 million, and one unit was sold and settled for consideration of \$0.24 million at the Caboolture village previously managed by the Group. Subsequent to balance date, a conditional contract for the sale of the management letting rights and associated real estate at the Tivoli, Qld village has been entered into for total consideration of \$0.5 million.

The Group continues to hold a vacant 4.8 hectare parcel of land at Terranora, NSW with a carrying value of \$1.83 million (30 June 2021: \$1.83 million) as held for sale. A conditional contract for the sale of this asset was entered into during the period but did not proceed. A number of buyers remain interested in the site and disposal of the asset is expected in the current financial year. A manager's unit with a carrying value of \$0.6 million (30 June 2021: \$0.6 million) continues to be held as investment property and opportunities for the realisation of this asset are being considered.

Capital management – debt & equity

Debt

During the period, the Group's National Australia Bank (NAB) facility remained at \$77.50 million which was sufficient to facilitate the acquisitions and capital expenditure during the period as noted above. The Group was in compliance with all banking covenants during the period. Under the terms of its NAB debt facility, Eureka is able to deposit and withdraw funds in accordance with its working capital needs, subject to satisfaction of the bank covenants. At balance date the drawn amount under the facility was \$65.39 million (30 June 2021: \$57.18 million). The loan expiry is 31 March 2024. Details are contained in Note 13.

Directors' Report

Equity

Equity movements and balances for the period are as follows:

- A dividend of \$1.37 million (2020: \$1.27 million) was paid during the period and the Dividend Reinvestment Plan (DRP) was in effect;
- The DRP was fully underwritten resulting in 2,284,531 shares being issued (2020: nil) for 59.88 cents per share on 28 September 2021. Existing shareholders subscribed for \$0.39 million in shares and proceeds of \$0.98 million were received from the DRP underwriter; and
- There were 429,362 share rights outstanding at balance date (30 June 2021: 429,362).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Eureka is committed to:

- Developing its social, environmental and governance framework. The Board established an Environmental, Social & Governance Committee during the period that is responsible for providing recommendations for social, governance and environmental initiatives in accordance with the Group's 'resident-first' philosophy, its social licence to provide affordable rental accommodation to a growing number of seniors and minimising the Group's environmental impact;
- Further expanding its core business of providing rental accommodation for independent seniors through the active management of existing assets, the acquisition of additional villages and units, and the realisation of development opportunities, including the development of the Group's villages in Brassall and Kingaroy (both in Qld);
- Actively identify strategic opportunities to grow its managed portfolio in the seniors' independent living sector alongside its ownership model;
- Improving the performance of the existing portfolio with continued focus on maintaining occupancy through the ongoing strengthening of our relationships within the villages' local communities;
- Implementing operational efficiencies, cost reduction and streamlined support services through process and systems improvements across our villages and support office and realising benefits from economies of scale; and
- Recycling of capital through the divestment of the Group's non-core assets and active portfolio management including the disposal of assets which may cease to meet target performance levels, risk appetite levels or efficiency metrics.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

Details of the events that occurred after the end of the period are contained in Note 18.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.



Murray Boyte
Executive Chair

Dated this 23rd day of February 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Rental income		10,293	9,311
Catering income	4	2,402	2,195
Service and caretaking fees	4	2,107	2,139
Total revenue		14,802	13,645
Finance income		11	14
Other income	4	80	1,231
Total revenue and other income		14,893	14,890
Property expenses		(7,057)	(7,045)
Employee expenses		(2,312)	(1,757)
Finance costs		(1,293)	(1,358)
Marketing expenses		(135)	(62)
Depreciation & amortisation		(345)	(303)
Other expenses		(1,085)	(958)
Total operating expenses		(12,227)	(11,483)
Share of profit of a joint venture	9	467	917
Net gain/(loss) on change in fair value of:			
Investment property		1,851	(171)
Other assets		20	(59)
Total other items		2,338	687
Profit before income tax expense		5,004	4,094
Income tax expense	5	(971)	(1,024)
Profit after income tax expense		4,033	3,070
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		4,033	3,070
Basic earnings per share (cents per share)		1.73	1.33
Diluted earnings per share (cents per share)		1.72	1.33

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 \$'000	30 June 2021 \$'000
Current assets			
Cash and cash equivalents		1,584	1,890
Trade and other receivables	6	408	414
Loans receivable		310	214
Other assets	7	1,921	1,486
Non-current assets held for sale	8	4,950	2,258
Total current assets		9,173	6,262
Non-current assets			
Loans receivable		141	346
Joint venture investment	9	7,063	6,846
Investment property	10	149,749	139,037
Property, plant and equipment		497	504
Right of use assets	11	1,429	487
Intangible assets		3,354	3,827
Other assets	7	1,660	1,660
Total non-current assets		163,893	152,707
Total assets		173,066	158,969
Current liabilities			
Trade and other payables	12	3,211	3,238
Provisions		636	535
Other financial liabilities	13	3,196	669
Total current liabilities		7,043	4,442
Non-current liabilities			
Trade and other payables	12	167	184
Provisions		36	83
Other financial liabilities	13	66,516	59,941
Deferred tax liability	5	4,410	3,439
Total non-current liabilities		71,129	63,647
Total liabilities		78,172	68,089
Net assets		94,894	90,880
Equity			
Share capital	14	96,979	95,652
Share based payment reserve		82	56
Accumulated losses		(2,167)	(4,828)
Total equity		94,894	90,880

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities		
Receipts from customers	15,046	14,589
Payments to suppliers & employees	(10,919)	(9,447)
Interest received	11	14
Interest paid	(1,315)	(1,105)
Net cash provided by operating activities	2,823	4,051
Cash flows from investing activities		
Payments for additions to investment properties	(11,942)	(12,647)
Payments for other assets	(157)	-
Payments for additions to inventory	-	(45)
Payments for property, plant and equipment	(24)	(22)
Payments made to sell property assets	(77)	(126)
Proceeds from sale of investment properties	664	-
Proceeds from sale of inventory	-	2,457
Proceeds from the sale of non-current assets held for sale	239	-
Proceeds from repayment of loans provided	100	37
Proceeds from sale of intangible assets	-	10
Net cash used in investing activities	(11,197)	(10,336)
Cash flows from financing activities		
Proceeds from borrowings	10,711	10,400
Repayment of borrowings	(2,500)	(3,150)
Payment of dividends	(986)	(1,265)
Proceeds from share issue	983	-
Payments for share issue transactions	(41)	-
Principal portion of lease payments	(87)	(93)
Payments for transaction costs related to borrowings	(12)	(69)
Net cash provided by financing activities	8,068	5,823
Net decrease in cash and cash equivalents	(306)	(462)
Cash and cash equivalents at the beginning of the period	1,890	2,451
Cash and cash equivalents at the end of the period	1,584	1,989

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

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Share capital \$'000	Accumulated losses \$'000	Share based payment reserve \$'000	Total \$'000
For the half-year ended 31 December 2021					
Balance at 1 July 2021		95,652	(4,828)	56	90,880
Profit for the period, representing total comprehensive income for the period		-	4,033	-	4,033
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital		1,368	-	-	1,368
Transaction costs relating to share issue		(41)	-	-	(41)
Dividends paid	2	-	(1,372)	-	(1,372)
Share based payments		-	-	26	26
Balance at 31 December 2021		96,979	(2,167)	82	94,894
For the half-year ended 31 December 2020					
Balance at 1 July 2020		94,352	(8,489)	5	85,868
Profit for the period, representing total comprehensive income for the period		-	3,070	-	3,070
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	2	-	(1,265)	-	(1,265)
Share based payments		-	-	26	26
Balance at 31 December 2020		94,352	(6,684)	31	87,699

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION OF THE FINANCIAL REPORTS

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

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the Group's annual financial report for the full year ended 30 June 2021.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual report with the exception of new amended standards and interpretations which have been applied as required.

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

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

(b) Comparative Information

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

(c) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

i. Investment property – measurement

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The best evidence of fair value is current selling prices in an active market for similar investment properties. Where such information is not available, the Group determines a property's value within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- Valuations undertaken by accredited external independent valuers;
- Acquisition price paid for the property;
- Recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Capitalised income projections based upon a property's estimated maintainable earnings and capitalisation rate.

ii. Investment property – classification

The Group classifies property as investment property when it meets the following key criteria:

- The property is held by the Group to generate long term investment growth and ongoing rental returns; and
- Ancillary services are insignificant to the arrangement as a whole.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The returns from the Group's investment property include rental income and income from provision of ancillary services, including food services to residents. Judgement is required as to whether the ancillary services are significant. Management has determined that the ancillary services are not significant by assessing qualitative factors, which include both operational and legislative considerations, and quantitative factors, which includes comparing:

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

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

iii. Goodwill

Goodwill is allocated to the property management cash-generating unit (CGU). The Group tests the carrying value of goodwill on an annual basis to assess for any impairment, or more frequently, if events or changes in circumstances indicate impairment. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

iv. Amortisation of management rights

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

For strata-titled villages (where units are individually owned by third parties) where management rights are attached, the Group generally amortises its management rights over a period of 40 years (being the estimated useful life). The amortisation period used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. In determining the useful life, the Group considers the expected usage of the assets, the legal rights over the asset and the renewal period of the management rights agreements. Where there is evidence to support renewal of the management rights, the amortisation period is 40 years, similar to the life of the property the management rights are attached to, otherwise the amortisation period is the term of the management rights agreement.

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

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

v. Recovery of receivables

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

vi. Non-current amounts receivable and associated option over property

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

vii. Bartercard

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

viii. Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

ix. Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and income tax losses. These assets are only recognised if the Group considers it probable that future taxable amounts will be available to utilise those temporary difference assets. Judgement is required in assessing the availability of income tax losses primarily involving the satisfaction by the relevant Group entities of legislative requirements at each reporting date by the Group including for certain years satisfaction of the "Same Business Test" as defined in S.165-210 of the Income Tax Assessment Act 1997.

x. Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of significant unobservable inputs as disclosed in Note 10.

2. DIVIDENDS

A dividend of 0.59 cents per share (2020: 0.55 cent per share), totalling \$1.37 million (2020: \$1.27 million), was declared on 30 August 2021 and paid on 28 September 2021. No other dividends were paid or declared during the period.

Since balance date, the Board has declared an interim dividend of 0.63 cents per share, amounting to \$1.48 million payable on 23 March 2022. The record date is 2 March 2022. The financial effect of this dividend has not been brought to account in this half-year financial report ended 31 December 2021.

3. OPERATING SEGMENTS

Identification of reportable operating segments and principal services

The Group is organised into two operating segments located in Australia:

- Rental Villages – ownership of seniors' rental villages; and
- Property Management - management of seniors' independent living communities.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The operating segments have been identified based upon reports reviewed by the Board of Directors, who are identified as the chief operating decision makers and are responsible for assessing performance and determining the allocation of resources. There is no aggregation of operating segments and the Board of Directors views each segment's performance based on profit after tax. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

Segment information is prepared in conformity with the accounting policies of the Group as discussed in Note 1 and Accounting Standard AASB 8.

Balances have been allocated to segments as follows:

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

Cash flows are not measured or reported by segment.

Consolidated - 31 December 2021	Rental Villages \$'000	Property Management \$'000	Unallocated \$'000	Total \$'000
Revenue	13,092	1,710	-	14,802
Finance income	-	-	11	11
Other income	79	-	1	80
Total revenue and other income	13,171	1,710	12	14,893
Expenses	(6,177)	(1,217)	(3,540)	(10,934)
Finance costs	(1,268)	(15)	(10)	(1,293)
Total operating expenses	(7,445)	(1,232)	(3,550)	(12,227)
Net gain on change in fair value of:				
Investment property	1,851	-	-	1,851
Other assets	20	-	-	20
Share of profit of a joint venture	467	-	-	467
	2,338	-	-	2,338
Profit/(loss) before income tax expense	8,064	478	(3,538)	5,004
Income tax (expense)/benefit	(1,682)	(174)	885	(971)
Profit/(loss) after income tax expense	6,382	304	(2,653)	4,033
Segment assets	163,050	4,256	5,760	173,066
Segment liabilities	70,558	822	6,792	78,172

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Rental villages \$'000	Property management \$'000	Unallocated \$'000	Total \$'000
Consolidated - 31 December 2020				
Revenue	11,940	1,705	-	13,645
Finance income	-	-	14	14
Other income	792	10	429	1,231
Total revenue and other income	12,732	1,715	443	14,890
Expenses	(6,221)	(1,122)	(2,782)	(10,125)
Finance costs	(1,336)	(21)	(1)	(1,358)
Total operating expenses	(7,557)	(1,143)	(2,783)	(11,483)
Net loss on change in fair value of:				
Investment property	(171)	-	-	(171)
Other	(59)	-	-	(59)
Share of profit of a joint venture	917	-	-	917
	687	-	-	687
Profit/(loss) before income tax expense	5,862	572	(2,340)	4,094
Income tax (expense)/benefit	(1,735)	(195)	906	(1,024)
Profit/(loss) after income tax expense	4,127	377	(1,434)	3,070
Segment assets	144,648	4,745	9,687	159,080
Segment liabilities	66,745	875	3,761	71,381

4. REVENUE AND OTHER INCOME

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Gain on sale of inventory	-	284
Gain on sale of held for sale and intangible assets	20	10
Insurance proceeds	-	462
Other	60	475
	80	1,231

The gain on sale of inventory in the prior period relates to the disposal of 11 units at Terranora, NSW as part of the Group's capital disposal program comprising sales proceeds of \$2.45 million less cost of sales of \$2.02 million and a write down to net realisable value of \$0.15m.

Disaggregation of revenue from contracts with customers

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

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
At a point in time	2,402	2,195
Over time	2,107	2,139
Total	4,509	4,334

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

5. INCOME TAX

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000

The major components of income tax expense are as follows:

Consolidated Statement of Profit or Loss

Current income tax	-	32
Deferred income tax	971	992
Income tax expense reported in the Statement of Profit or Loss	971	1,024

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

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000

Profit before tax	5,004	4,094
Income tax calculated at 25% (2020: 30%)	1,251	1,228
Tax effect of permanent differences	16	(116)
Non-deductible capital items – net deferred tax assets not recognised in year	19	-
Recognition and use of capital losses not previously recognised	(315)	(88)
Income tax expense reported in the Statement of Profit or Loss	971	1,024

Deferred tax balances have been stated at 25% (30 June 2021: 25%).

Consolidated	
31 Dec 2021	30 June 2021
\$'000	\$'000

Recognised in the Statement of Financial Position

Deferred tax assets

Tax losses - revenue	6,688	6,734
Tax losses – capital	254	-
Net (assessable) and deductible differences on sundry items	(739)	(434)

Deferred tax liabilities

Investment properties, property, plant and equipment	(10,613)	(9,739)
Net deferred tax liability	(4,410)	(3,439)

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Not recognised in the Statement of Financial Position

Unrecognised deferred tax assets

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Tax losses - capital	286	601
Non-deductible capital items	1,231	1,230
Net unrecognised deferred tax assets	1,517	1,831

Reconciliation of unrecognised tax balances

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Opening balance	1,831	1,472
Recognition and use of capital tax losses not previously recognised	(315)	(214)
Movement attributable to non-deductible capital items	21	871
Adjustment to prior period balances	(20)	(29)
Tax effect of changing deferred tax balances to 25% tax rate at 30 June 2021	-	(269)
Total movement	(314)	359
Closing balance	1,517	1,831

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

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

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

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Trade receivables	188	220
Accrued income and other receivables	220	194
	408	414

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

7. OTHER ASSETS

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Current		
Prepayments and other assets ¹	1,582	1,116
Bartercard ²	132	140
Capital replacement funds	207	230
	<u>1,921</u>	<u>1,486</u>
Non-current		
Bartercard ²	1,660	1,660
Other ³	-	-
	<u>1,660</u>	<u>1,660</u>

¹ Amounts included relate to prepaid expenses, deposits for assets and due diligence costs for acquisitions.

² Bartercard is an alternative currency and operates as a trade exchange. At balance date, the Bartercard balance is \$1.79 million (30 June 2021: \$1.80 million), which is recorded at cost, less any impairment. The amount classified in current assets is based on expected utilisation of Bartercard in the next 12 months.

³ The carrying value of a loan receivable for \$3 million, including land option, which gives the Group a first right of refusal to purchase 60 proposed cabin sites for \$50,000 per site at Couran Cove, Qld was reassessed at 30 June 2021 following a thorough review including independent assessment of the land held as security for the loan. The assessed fair value of the loan is \$nil (30 June 2021: \$nil). There has been no change to the Group's security arrangements, including a mortgage over the land. The loan expiry date was 31 August 2021. Eureka has reserved its rights in relation to the recovery of this loan.

8. NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Current		
Opening balance	2,258	483
Disposals	(212)	-
Transfers from investment property	2,884	2,300
Net gain / (loss) on change in fair value	20	(525)
Closing balance	<u>4,950</u>	<u>2,258</u>

The balance at 31 December 2021 comprises two villages at Belgian Gardens, Qld and South Townsville, Queensland which are unconditionally contracted for sale at 31 December 2021 and have been transferred from investment property during the period, vacant land at Terranora for \$1.83 million (30 June 2021: \$1.83 million) and one manager's unit in Caboolture (30 June 2021: 2 units).

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

9. JOINT VENTURE INVESTMENT

The Group has a 50% interest in a joint venture (JV) that owns five retirement villages in Tasmania.

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Movements in aggregate carrying amount:		
Opening balance	6,846	5,955
Share of profit from joint venture ¹	467	1,558
Cash distribution received	(250)	(667)
Closing balance	7,063	6,846

¹ Share of profit from joint venture includes an increase in the fair value of the Tasmanian village property assets in the prior period of \$0.58 million. There was no fair value adjustment in the current period.

10. INVESTMENT PROPERTY

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Balance at beginning of reporting period	139,037	121,443
Acquisitions ¹	8,249	14,265
Disposals ²	(684)	-
Capital expenditure	3,882	3,185
Transfer to non-current assets held for sale	(2,884)	(2,300)
Transfer from intangible assets - management rights ³	298	-
Transfer from property, plant and equipment	-	83
Net increment due to fair value adjustment	1,851	2,361
Balance at end of reporting period	149,749	139,037

¹ Acquisitions during the period include the acquisition of a village in Brassall, Qld and vacant land at Kingaroy, Qld. Prior period acquisitions include the acquisition of 2 villages in Cairns and Hervey Bay Qld.

² Units at the village in Tivoli, Qld were sold during the period.

³ Management rights held in relation to villages for which no future material external revenue stream exists were reclassified to investment property and included in the fair value of the respective properties.

The Group's investment property portfolio consists of 27 rental village assets (30 June 2021: 27) along with associated managers' units, individual rental units in managed villages and land for development. The Group considers its investment properties reside in one class of asset, being seniors' rental villages.

At balance date, the Group undertook a review of the fair value of all investment properties held and recorded a net revaluation of \$1.85 million (2020: \$0.17 million loss). This adjustment related to all assets in the asset class and was based on inputs and assumptions disclosed below and in Note 15. A net change in fair value is recognised in profit or loss in the period in which the assessment is made.

The Group's external valuation program continued during the period, with six properties being independently valued.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)		Relationship of unobservable input to fair value
			31 Dec 2021	30 June 2021	
Investment properties – Retirement Villages	Capitalisation method ¹	Capitalisation rate	8.50%-11.38% (9.75%) ²	9.00%-11.00% (9.92%) ²	Capitalisation rate has an inverse relationship to valuation.
		Stabilised occupancy	90.2%-99.6% (98.1%)	88%-100% (97.2%)	Occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).

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

² Excludes two apartment-style complexes with a capitalisation rate range of 6.50 to 9.0% and a village in which National Disability Insurance Scheme services revenue is earned with a capitalisation rate of 14%.

Amounts recognised in profit or loss for investment properties:

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Rental income	10,293	9,311
Catering income	1,599	1,370
Direct operating expenses generating rental and catering income	(6,177)	(6,221)
Net gain/(loss) from revaluation of investment property to fair value	1,851	(171)

The Group has no restrictions on the realisability of its investment property and has a contractual obligation to complete a solar energy enhancement program and finalise the expansion of the Wynnum village. The Group has conditional contractual obligations for the acquisition of the management and letting rights and associated real estate (manager's units) for six villages in south-east Queensland. There are no further contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. Note 13 contains details of assets pledged as security for borrowings.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

11. RIGHT OF USE ASSETS

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Leased property		
Opening balance	482	714
Additions	1,203	-
Modification on leases	(128)	(59)
Depreciation expense	(132)	(173)
Closing balance	1,425	482
Leased equipment		
Opening balance	5	8
Depreciation expense	(1)	(3)
Closing balance	4	5
Total right of use assets	1,429	487

Income received from sub-leasing right of use assets was \$0.01 million for the period.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Current		
Trade creditors and accruals	3,171	3,192
Capital replacement fund liability	40	46
	3,211	3,238
Non-current		
Capital replacement fund liability	167	184
	167	184

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

13. OTHER FINANCIAL LIABILITIES

	Consolidated	
	31 Dec 2021 \$'000	30 June 2021 \$'000
Current		
Accrued interest	380	506
Lease liability	359	163
Deferred consideration liability	2,457	-
	<u>3,196</u>	<u>669</u>
Non-current		
Bank loan – secured ¹	65,386	57,175
Deferred consideration liability	-	2,431
Lease liability	1,203	471
Borrowing costs	(73)	(136)
	<u>66,516</u>	<u>59,941</u>

¹ Bank loan – secured

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

- Maximum limit of \$77.50 million (30 June 2021: \$77.50 million). Total drawings on this facility were \$65.39 million. The facility expires on 31 March 2024. Interest was payable at a fixed rate of 4.87% on \$35.00 million until 31 December 2021 and at variable rates on the remaining drawn amount. From 31 December 2021, interest is payable at variable rates (currently 1.98%), inclusive of facility fees. A facility fee applies to any undrawn amount. No principal payments are required, and interest is paid quarterly.
- \$2.50 million bank guarantee facility to secure the deferred consideration payable for the acquisition of the village at Hervey Bay.

The facility limit will increase to \$80.00 million upon settlement of the deferred consideration payable for the Hervey Bay village acquisition and return of the associated bank guarantee in November 2022.

The NAB facilities are secured by a first priority general security over all present and future acquired property. As at balance date, the Group’s property assets, with a carrying value of \$154.70 million (30 June 2021: \$141.30 million) have been pledged by the Group.

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

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

14. SHARE CAPITAL

Ordinary shares

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

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

Issues of ordinary shares during the period	31 Dec 2021	Consolidated		30 June 2021
	Number	31 Dec 2021 \$'000	30 June 2021 Number	30 June 2021 \$'000
Opening balance	232,384,417	95,652	230,037,638	94,352
Shares issued at \$0.5988 (30 June 2021: \$0.5773) under the Dividend Reinvestment Plan	2,284,531	1,368	2,346,779	1,354
Transaction costs	-	(41)	-	(54)
Closing balance	234,668,948	96,979	232,384,417	95,652

15. FAIR VALUES

Investment property, other assets (land option) and retirement village resident loans payable are measured at fair value using the fair value measurement hierarchy method described in Note 1. All fair value measurements are categorised as Level 3 in the fair value hierarchy. There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

The Group has a number of financial assets and financial liabilities which are required to be measured at fair value in the statement of financial position. The fair values are not materially different to their carrying amounts since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

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

Investment properties may be valued using two methods, the capitalisation method and direct comparison approach. Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property into perpetuity and applying a capitalisation rate. The capitalisation rate is based upon current market evidence. Future income projections take into account occupancy, rental income and operating expenses.

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

16. RELATED PARTY TRANSACTIONS

	Sales to related parties		Amounts owed by related parties	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<i>Joint venture</i>				
Management fees	150	145	53	55

Amounts owed by related parties are classified as trade receivables.

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

There were no transactions with parties related to a director during the period.

17. CONTINGENCIES

From time to time, the Group may be subject to various claims from third parties during the ordinary course of its business. The directors have given consideration to such matters and, unless specific provision has been made, are of the opinion that no material contingent liability for such claims exists.

18. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

- Dividend - The Board has declared an interim dividend in respect of the period of 0.63 cents per share, payable on 23 March 2022 amounting to \$1.48 million. The Group's dividend reinvestment plan is effective for this dividend.
- Disposal of management letting rights - a conditional contract for the sale of the management letting rights and associated real estate at the Tivoli, Qld village has been entered into for total consideration of \$0.5 million.

Other than the above mentioned items, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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

In the opinion of the Directors of Eureka Group Holdings Limited (the "Company"):

- a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Murray Boyte
Executive Chair

Dated this 23rd day of February 2022



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

As lead auditor for review of Eureka Group Holdings Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Wade Hansen
Partner
Brisbane
23 February 2022

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

Conclusion

We have reviewed the accompanying half-year financial report of Eureka Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Wade Hansen' in a cursive script.

Wade Hansen
Partner
Brisbane
23 February 2022

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Corporate Directory

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Board of Directors

Murray Boyte Executive Chair
Russell Banham
Sue Renkin
Greg Paramor AO

Senior Management

Cameron Taylor Chief Executive Officer
Laura Fanning Chief Financial Officer & Company Secretary

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Securities Exchange Listing

ASX Limited
ASX Code: EGH (ordinary shares)

Australian Business Number

15 097 241 159