Eureka Group Holdings Limited
ABN: 15 097 241 159

Current period	1 July 2022 - 31 December 2022
Previous corresponding period	1 July 2021 - 31 December 2021

Results for announcement to the market

Summary financial information	**Period ended 31 December 2022 A$000**	**Period ended 31 December 2021 A$000**	**Change %**
Revenue from ordinary activities	17,455	14,802	+17.9%
Underlying EBITDA [1]	5,929	5,181	+14.4%
Profit before tax	10,499	5,004	+109.8%
Profit from ordinary activities after tax and net profit for the period attributable to members	7,750	4,033	+92.2%

Dividends	**Amount per security Cents**	**Franked amount**
Interim dividend (FY23) Final dividend (FY22)	0.67 0.63	Nil Nil
FY23 interim dividend dates Ex-dividend date Record date DRP Election date Payment date	 16 March 2023 17 March 2023 22 March 2023 6 April 2023	
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 2022**	**Period ended 31 December 2021**	**Change %**
Earnings per ordinary share (EPS)	3.11 cents	1.73 cents	+79.8%
Diluted earnings per share	3.10 cents	1.72 cents	+80.2%

[1] Refer to definitions on page 2

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.

Net tangible assets per security	**31 December 2022 Cents**	**31 December 2021 Cents**
Net tangible assets backing per ordinary security	41.5	39.0

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 2022 $A'000	**Period ended 31 December 2021 $A'000**
Aggregate share of profits from joint venture entites	948	467
Contribution to net profit from joint venture entities	948	467

Foreign entities accounting

N/A

Status of audit

The attached Half-Year Financial Report for the period ended 31 December 2022 has been reviewed by the auditor and the Independent Review Report is included in the Half-Year Financial Report. No disputes or qualifications are noted.

Attachments forming part of Appendix 4D

Half-Year Financial Report for the period ended 31 December 2022

Definitions

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

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

Murray Boyte
Executive Chair

Dated in Brisbane this 27th day of February 2023

Half-Year Financial Report

31 December 2022

eureka
GROUP HOLDINGS LIMITED

ABN: 15 097 241 159

CONTENTS

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 2022 (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 $10.50 million (2021: $5.00 million) and a profit after tax of $7.75 million (2021: $4.03 million). Underlying EBITDA[1][1] increased by 14% to $5.93 million (2021: $5.18 million) while underlying profit before tax[1] increased by 6% to $3.75 million (2021: $3.54 million) which includes increased finance costs of $1.76 million (2021: $1.29 million).

Growth in the Group's underlying and statutory results are underpinned by organic growth in existing villages, new acquisitions and improved maintainable earnings. Growth in the underlying EBITDA[1] has been achieved despite a significant flood event which affected the Lismore property during the prior year and rendered the asset unusable. As a result, there is no current period contribution from the Lismore property which historically provided a solid contribution to the Group's result.

Occupancy remained stable across the portfolio and was 98% at balance date (30 June 2022: 98%). Strategies to increase village revenue, while maintaining affordability for residents, have contributed to the organic revenue growth experienced during the period. Improvement in maintainable earnings combined with gradual firming of capitalisation rates have resulted in a $7.52 million net gain on change in the fair value of the Group's investment properties including those of the Tasmanian assets which are owned in a joint venture (2021: $1.85 million).

Revenue and profit growth is also attributable to acquisitions made during the period as well as ownership of the village in Bowen, Qld and the management and letting rights for 6 villages in south-east Qld (the Oxford Crest acquisition) for the whole period. Current period acquisitions comprised rental villages in Tamworth, NSW and Horsham, Vic and units and management and letting rights in Eagleby, Qld.

As at 31 December 2022, Eureka owned 33 villages (30 June 2022: 30), 5 of which are owned in a joint venture and has 14 villages under management (30 June 2022: 14), representing 2,692 units at the end of the year (30 June 2022: 2,507 units). The weighted average capitalisation rate at balance date was 9.35% (30 June 2022: 9.43%).

The Group is committed to growth through asset acquisition and development opportunities. During the period, the Group progressed its technology improvement and brand refresh projects and invested in key support office roles to enhance team capability. This investment in people, systems and brand is a prerequisite to upscaling the business.

The Group's statutory tax rate is 25% (2022: 25%). No cash tax will be payable until the Group has utilised its carry forward revenue tax losses.

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

Directors' Report

Net operating cash flow for the period was $3.75 million (2021: $2.82 million).

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

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Performance Summary		
Profit before income tax expense	10,499	5,004
Profit after income tax expense	7,750	4,033
Basic earnings per share (cents)	3.11	1.73
Diluted earnings per share (cents)	3.10	1.72
Underlying EBITDA [1] reconciliation		
Profit after income tax expense	7,750	4,033
Income tax expense	2,749	971
Depreciation and amortisation	422	345
Finance costs	1,760	1,293
EBITDA [1]	12,681	6,642
Net gain on change in fair value of:		
- Investment properties, including assets held in joint venture	(7,523)	(1,851)
- Non-current assets held for sale	-	(20)
(Profit)/ loss on sale of assets	(15)	38
Transaction costs including acquisitions, disposals and asset realisations	85	50
Strategic projects – technology, brand and support office relocation	335	222
Interest expense included in the share of profit of a joint venture	100	51
Other	266	49
Underlying EBITDA [1]	5,929	5,181
Underlying profit before tax [2]	3,746	3,543

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 2022 $'000	Consolidated 30 June 2022 $'000
Total assets	$'000	215,329	182,768
Net assets	$'000	133,903	99,033
Cash and cash equivalents	$'000	2,068	1,837
Debt – bank loan	$'000	67,235	70,075
Shares on issue	'000	300,376	237,187
Net tangible assets per share	cents	41.5	38.2
Balance sheet gearing [1]	%	32.7	40.8

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

Directors' Report

Significant balance sheet movements during the period are disclosed below.

Acquisitions and asset management

During the period, the Group made the following asset acquisitions:

- 55 of 72 rental units, a manager's unit and associated management and letting rights for a village in Eagleby, Qld for consideration of $7.30 million;
- a rental village in Tamworth, NSW for $6.70 million comprising 50 units;
- a rental village in Horsham, Vic for $5.05 million comprising 46 units; and
- 25 additional rental units across its strata-titled villages in Qld, Vic and SA for $2.59 million.

The Group spent $0.55 million on village developments including planning for the 51-unit Brassall expansion and the 110-unit Kingaroy greenfield development. A further $1.32 million was spent on enhancing its owned villages through capital improvements including expenditure on community room upgrades and unit refurbishments.

There were no other significant acquisitions made during the period.

Disposals

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

There were no disposals made during the period.

Capital management – debt & equity

Debt

During the period, the Group's National Australia Bank (NAB) facility increased to $83.00 million to fund part of the Eagleby, Qld acquisition and make a deferred consideration payment associated with the acquisition of the village in Hervey Bay, Qld . 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 $67.24 million (30 June 2022: $70.08 million). The loan expiry is 31 March 2024. During the period, the Group entered into two interest rate swaps to manage its interest rate risk. Further details of the NAB facility and the interest rate swaps are contained in Note 14.

Equity

During the period, the Group successfully completed a $28.23 million equity raise comprising both institutional and retail components. The entitlement offer comprised new shares issued on a 1 for 4 pro-rata basis and was fully underwritten. The proceeds raised have been used to fund the village acquisitions in Tamworth, NSW and Horsham, Vic, retire debt and pay associated transaction costs. The proceeds will also be used to fund the 51-unit development of the Brassall, Qld village which has commenced subsequent to balance date.

Shares were issued at $0.47 as follows:

- Institutional offer – 50,153,787 shares totalling $23.57 million; and
- Retail offer – 9,921,441 shares totalling $4.66 million.

The associated capital raising costs (net of tax) were $1.17 million which have been recognised directly in equity.

Directors' Report

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

- Dividends of $1.50 million (2021: $1.37 million) were paid during the period, comprising cash dividends of $0.89 million (2021: $0.98 million) and shares issued to existing shareholders pursuant to the Dividend Reinvestment Plan (DRP) of $0.60 million (2021: $0.39 million), resulting in 2,685,348 shares being issued.
- The DRP was active for all dividends paid during the period and in the prior year. The DRP was fully underwritten resulting in proceeds being received from the underwriter of $0.89 million (2021: $0.98 million).
- There were 429,362 share rights that vested and were exercised under the long-term incentive scheme, this resulted in the issue of 429,362 shares per the Company's Omnibus Equity Plan. There were a further 353,783 share rights outstanding at period end (30 June 2022: 783,145).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Eureka is committed to:

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

- 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 expansion of the Group's village in Brassall, Qld, development of the Group's greenfield site in Kingaroy, Qld and the transition of the village in Bowen, Qld to rental retirement living;

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group, other than those addressed in the Directors' Report and in Note 20.

SUBSEQUENT EVENTS

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

- Dividend - the Company has declared an interim dividend in respect of the period of 0.67 cents per share, payable on 6 April 2023 amounting to $2.01 million. The record date is 17 March 2023. The Group's dividend reinvestment plan is effective for this dividend.

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

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).

Directors' Report

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 29.

Murray Boyte
Executive Chair

Dated this 27th day of February 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Rental income		11,765	10,293
Catering income	4	2,699	2,402
Service and caretaking fees	4	2,991	2,107
Total revenue		17,455	14,802
Finance income		12	11
Other income	4	99	80
Total revenue and other income		17,566	14,893
Village operating expenses	5	(8,537)	(7,057)
Employee expenses		(2,602)	(2,312)
Finance costs		(1,760)	(1,293)
Marketing expenses		(149)	(135)
Depreciation & amortisation		(422)	(345)
Other expenses		(1,610)	(1,085)
Total operating expenses		(15,080)	(12,227)
Share of profit of a joint venture	9	948	467
Net gain on change in fair value of:			
- Investment property	10	7,065	1,851
- Other assets		-	20
Total other items		8,013	2,338
Profit before income tax expense		10,499	5,004
Income tax expense	6	(2,749)	(971)
Profit after income tax expense		7,750	4,033
Other comprehensive income			
Items that may be reclassified to profit or loss			
- Gain on cash flow hedges		85	-
- Income tax expense		(21)	-
Other comprehensive income for the period, net of tax		64	-
Total comprehensive income for the period		7,814	4,033
Basic earnings per share (cents per share)		3.11	1.73
Diluted earnings per share (cents per share)		3.10	1.72

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 2022

	Note	31 Dec 2022 $'000	30 June 2022 $'000
Current assets			
Cash and cash equivalents		2,068	1,837
Trade and other receivables	7	537	756
Loans receivable		12	340
Other assets	8	2,357	1,287
Total current assets		4,974	4,220
Non-current assets			
Loans receivable		-	42
Joint venture investment	9	7,894	7,196
Investment property	10	190,431	159,660
Property, plant and equipment		493	523
Right of use assets		910	1,265
Intangible assets	11	9,151	8,471
Other assets	8	1,476	1,391
Total non-current assets		210,355	178,548
Total assets		215,329	182,768
Current liabilities			
Trade and other payables	12	4,161	3,231
Provisions		797	671
Other financial liabilities	13	296	2,847
Total current liabilities		5,254	6,749
Non-current liabilities			
Trade and other payables	12	161	161
Provisions		50	41
Other financial liabilities	13	707	1,053
Borrowings	14	67,178	70,018
Deferred tax liability	6	8,076	5,713
Total non-current liabilities		76,172	76,986
Total liabilities		81,426	83,735
Net assets		133,903	99,033
Equity			
Share capital	15	127,054	98,422
Share based payment reserve		34	115
Cash flow hedge reserve		64	-
Retained profits		6,751	496
Total equity		133,903	99,033

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 2022

	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities		
Receipts from customers	17,659	14,796
Payments to suppliers & employees	(13,047)	(10,919)
Distributions from joint venture	250	250
Interest received	8	11
Interest paid	(1,123)	(1,315)
Net cash provided by operating activities	3,747	2,823
Cash flows from investing activities		
Payments for additions to investment property	(26,235)	(11,942)
Payments for other assets	(91)	(157)
Payments for intangible assets	(909)	-
Payments for property, plant and equipment	(13)	(24)
Payments made to sell property assets	(9)	(77)
Proceeds from sale of investment property	-	664
Proceeds from the sale of non-current assets held for sale	-	239
Proceeds from repayment of loans provided	91	100
Proceeds from sale of intangible assets	25	-
Net cash used in investing activities	(27,141)	(11,197)
Cash flows from financing activities		
Proceeds from borrowings	27,060	10,711
Repayment of borrowings	(29,900)	(2,500)
Payment of dividends	(893)	(986)
Proceeds from share issue	29,126	983
Payments for share issue transactions	(1,610)	(41)
Principal portion of lease payments	(136)	(87)
Payments for transaction costs related to borrowings	(22)	(12)
Net cash provided by financing activities	23,625	8,068
Net increase (decrease) in cash and cash equivalents	231	(306)
Cash and cash equivalents at the beginning of the period	1,837	1,890
Cash and cash equivalents at the end of the period	2,068	1,584

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 2022

	Note	Share capital $'000	Retained profits (Accumulated losses) $'000	Share based payment reserve $'000	Cash flow hedge reserve $'000	Total $'000
For the half-year ended 31 December 2022						
Balance at 1 July 2022		98,422	496	115	-	99,033
Profit for the period		-	7,750	-	-	7,750
Other comprehensive income		-	-	-	64	64
Transactions with owners in their capacity as owners:						
Issue of share capital	15	29,848	-	(120)	-	29,728
Transaction costs relating to share issue	15	(1,216)	-	-	-	(1,216)
Dividends paid	2	-	(1,495)	-	-	(1,495)
Share based payments		-	-	39	-	39
Balance at 31 December 2022		127,054	6,751	34	64	133,903
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
Transactions with owners in their capacity as owners:						
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

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

Notes to the Financial Statements

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 2022.

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 the derivative financial instruments and hedge accounting policy disclosed at (d) and 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

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

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

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

iii. Goodwill

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

iv. Amortisation of management rights

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

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

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

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

v. Recovery of receivables

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

vi. 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, this asset will be reclassified as a loan receivable and it will be assessed for impairment at that point in time.

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 section165-210 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.

(d) Derivative financial instruments and hedge accounting

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to an underlying benchmark, such as interest rates, exchange rates, or asset values, and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

Eureka is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Eureka's exposure to the risk of changes in market interest rates relates primarily to Eureka's current and future debt obligations with floating interest rates.

Eureka manages its interest rate risk by regularly monitoring interest rates. Eureka's policy is to maintain a portion of borrowings at fixed rates. To manage this, from time-to-time Eureka enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between floating and fixed rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2022, after taking into account the effect of interest rate swaps, approximately 59% of Eureka's borrowings are at a fixed rate of interest (30 June 2022: nil).

Notes to the Financial Statements

Initial recognition and subsequent measurement

Eureka uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Eureka's interest rate swaps are classified as cash flow hedges because they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised liability.

At the inception of a hedge relationship, Eureka formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Eureka will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Eureka actually hedges and the quantity of the hedging instrument that Eureka actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss in other operating income or expenses.

Eureka uses interest rate swaps as hedges of its exposure to interest rate risk arising from debt obligations. The ineffective portion relating to interest rate swaps is recognised in other operating income or expenses.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

2. DIVIDENDS

A dividend of 0.63 cents per share (2021: 0.59 cent per share), totalling $1.50 million (2021: $1.37 million), was declared on 30 August 2022 and paid on 06 October 2022. No other dividends were paid or declared during the period.

Since balance date, the Board has declared an interim dividend of 0.67 cents per share, amounting to $2.01 million payable on 6 April 2023. The record date is 17 March 2023. The Group's dividend reinvestment plan is effective for this dividend. The financial effect of this dividend has not been brought to account in this half-year financial report ended 31 December 2022.

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

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

Cash flows are not measured or reported by segment.

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

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
Village operating expenses	(6,056)	(1,001)	-	(7,057)
Employee expenses	-	-	(2,312)	(2,312)
Finance costs	(1,268)	(15)	(10)	(1,293)
Marketing expenses	-	-	(135)	(135)
Depreciation & amortisation	(18)	(216)	(111)	(345)
Other expenses	(103)	-	(982)	(1,085)
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	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

4. REVENUE AND OTHER INCOME

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Other income		
Gain on sale of held for sale and intangible assets	26	20
Other	73	60
	99	80

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 2022 $'000	Consolidated 31 Dec 2021 $'000
At a point in time	2,699	2,402
Over time	2,991	2,107
Total	5,690	4,509

5. VILLAGE OPERATING EXPENSES

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Village operating expenses are comprised of the following:		
Staff and village manager costs	4,349	4,026
Catering expenses	1,233	839
Other village expenses	2,955	2,192
	8,537	7,057

6. INCOME TAX

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
The major components of income tax expense are as follows:		
Consolidated Statement of Profit or Loss		
Current income tax	-	-
Deferred income tax	2,749	971
Income tax expense reported in the Statement of Profit or Loss	2,749	971
A reconciliation of income tax expense and the profit before tax multiplied by the applicable tax rate is as follows:		
Profit before tax	10,499	5,004
Income tax calculated at 25% (2021: 25%)	2,625	1,251
Tax effect of permanent differences	19	16
Non-deductible capital items – net deferred tax assets not recognised in year	109	19
Recognition and use of capital losses not previously recognised	(4)	(315)
Income tax expense reported in the Statement of Profit or Loss	2,749	971
Movement in deferred tax balances charged/(credited):		
In profit or loss	2,749	971
Directly in equity - transaction costs	(405)	-
In other comprehensive income	21	-
Total deferred tax recognised	2,365	971

Deferred tax balances have been stated at 25% (30 June 2022: 25%).

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Recognised in the Statement of Financial Position		
Deferred tax assets		
Tax losses - revenue	6,492	6,498
Tax losses – capital	-	-
Net (assessable) and deductible differences on sundry items	(375)	(578)
Deferred tax liabilities		
Investment property, property, plant and equipment	(14,193)	(11,633)
Net deferred tax liability	(8,076)	(5,713)

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets		
Tax losses - capital	188	192
Non-deductible capital items	1,408	1,299
Net unrecognised deferred tax assets	1,596	1,491

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Reconciliation of unrecognised tax balances		
Opening balance	1,491	1,831
Recognition and use of capital tax losses not previously recognised	(4)	(409)
Movement attributable to non-deductible capital items	109	91
Adjustment to prior period balances	-	(22)
Total movement	105	(340)
Closing balance	1,596	1,491

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.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Trade receivables	229	361
Accrued income and other receivables	308	395
	537	756

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

8. OTHER ASSETS

	31 Dec 2022 $'000	30 June 2022 $'000
Current		
Prepayments and other assets [1]	1,790	684
Bartercard [2]	373	396
Capital replacement funds	194	207
	2,357	1,287
Non-current		
Bartercard [2]	1,391	1,391
Derivative financial assets [3]	85	-
Couran Cove loan [4]	-	-
	1,476	1,391

[1] Amounts included relate to prepaid expenses and deposits for assets.

[2] Bartercard is an alternative currency and operates as a trade exchange. At balance date, the Bartercard carrying value was $1.76 million (30 June 2022: $1.79 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 derivative financial assets relate to interest rate swaps entered into during the period. Refer note 14.

[4] 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 has been assessed based on a thorough review including independent assessment of the land held as security for the loan. The assessed fair value of the loan is $nil (30 June 2022: $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.

9. JOINT VENTURE INVESTMENT

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

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Movements in aggregate carrying amount:		
Opening balance	7,196	6,846
Share of profit from joint venture [1]	948	1,500
Cash distribution received	(250)	(1,150)
Closing balance	7,894	7,196

[1] Share of profit from JV includes the following amounts:
- The Group's 50% share of a net gain on change in investment property fair value was $0.46 million for the period (12 months to 30 June 2022: $0.52 million); and
- The Group's 50% share of interest expense $0.10 million (12 months to 30 June 2022: $0.11 million).

10. INVESTMENT PROPERTY

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Balance at beginning of reporting period	159,660	139,037
Acquisitions [1]	21,818	15,377
Disposals	-	(684)
Development costs	554	3,347
Capital expenditure	1,325	2,878
Transfer to non-current assets held for sale	-	(2,886)
Transfer from intangible assets - management rights [2]	-	300
Transfer from property, plant and equipment	9	-
Net increment due to fair value adjustment	7,065	2,291
Balance at end of reporting period	190,431	159,660

[1] Acquisitions during the period include villages in Horsham, Vic, Tamworth, NSW and Eagleby, Qld along with units across various strata-titled villages. Prior period acquisitions include a village in Brassall, Qld, vacant land at Kingaroy, Qld, a village in Bowen, Qld and manager's units associated with the Oxford Crest, Qld acquisition.

[2] 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 28 rental village assets (30 June 2022: 25) along with associated manager's units, other rental units in managed villages, the Kingaroy development and the Lismore property. The Group considers investment properties reside in one class of asset, being seniors' rental villages.

At balance date, the Group undertook a review of the fair value of all investment properties held and recorded a net gain on change in fair value of $7.06 million (2021: $1.85 million).

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

Notes to the Financial Statements

The Group's external valuation program continued during the period, with 4 properties being independently valued.
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) 31 Dec 2022	Range (weighted average) 30 June 2022	Relationship of unobservable input to fair value
Investment property – Rental villages	Capitalisation method [1]	Capitalisation rate	7.00%-10.50% (9.35%) [2, 4]	7.00%-10.50% (9.43%) [2, 4]	Capitalisation rate has an inverse relationship to valuation.
		Stabilised occupancy	92.3%-99.1% (97.7%) [3, 4]	94%-99% (97.9%) [3, 4]	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 one apartment-style complex with a capitalisation rate of 6.50% and a village in which National Disability Insurance Scheme services revenue is earned with a capitalisation rate of 7.5%.
3. Excludes one short stay village with a stabilised occupancy rate of 65%.
4. The range excludes the Lismore property which is non-operational following a significant flood event during the prior year and has an assessed fair value of $nil.

Amounts recognised in profit or loss for investment property:

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Rental income	11,765	10,293
Catering income	1,737	1,599
Direct operating expenses generating rental and catering income	(6,976)	(6,056)
Net gain on change in fair value	7,065	1,851

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

11. INTANGIBLE ASSETS

	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Management rights – at cost	9,376	8,548
Accumulated amortisation and impairment	(2,265)	(2,119)
Net	7,111	6,429
Rent rolls – at cost	140	140
Accumulated amortisation	(57)	(56)
Net	83	84
Other intangibles – at cost	25	25
Accumulated amortisation	(23)	(22)
Net	2	3
Goodwill	1,955	1,955
Total intangible assets	9,151	8,471

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

The remaining amortisation period for the management rights, on a weighted average basis, is 36 years (30 June 2022: 35 years).

12. TRADE AND OTHER PAYABLES

	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Current		
Trade creditors and accruals	3,297	2,957
Accrued interest	831	234
Capital replacement fund liability	33	40
	4,161	3,231
Non-current		
Capital replacement fund liability	161	161
	161	161

13. OTHER FINANCIAL LIABILITIES

	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Current		
Lease liability	296	364
Deferred consideration liability	-	2,483
	296	2,847
Non-current		
Lease liability	707	1,053
	707	1,053

14. BORROWINGS

	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Non-current		
Bank loan – secured	67,235	70,075
Borrowing costs	(57)	(57)
	67,178	70,018

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

		Consolidated 31 Dec 2022	Consolidated 30 June 2022
Facility limit	$'000	83,000	77,500
Bank guarantee facility – deferred consideration	$'000	-	2,500
Drawn debt	$'000	67,235	70,075
Facility expiry		31 March 2024	31 March 2024
Hedged amount	$'000	40,000	-
Weighted average interest rate (including margin)	%	5.70	3.76

The facility limit increased by $5.50 million during the period to fund the village acquisition in Eagleby, Qld and settlement of the deferred consideration payable for the Hervey Bay village, upon return of the associated bank guarantee.

The NAB facilities are secured by a first priority general security over all present and future acquired property and specified management letting rights. As at 31 December 2022, property assets and management letting rights, with a carrying value of $196.55 million (30 June 2022: $164.94 million), have been pledged by the Group.

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

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

The Group had unused borrowing facilities of $15.77 million (30 June 2022: $7.42 million) at balance date.

Under the terms of the loan facility, Eureka is able to deposit and withdraw funds in accordance with its working capital needs, subject to satisfaction of the bank's covenants. The bank loan facility has sufficient undrawn funds to enable payments to be made as and when they fall due.

Cash flow hedges

During the period, the Group entered into two interest rate swaps. The effects of the interest rate swaps on the Group's financial position and performance are as follows:

		Interest rate swap #1 31 Dec 2022	**Interest rate swap #2 31 Dec 2022**
Swap amount	$'000	20,000	20,000
Effective date		30 Dec 2022	30 Dec 2022
Maturity date		30 Dec 2024	30 Dec 2025
Interest rate including margin	%	5.86	5.85
Carrying amount – derivative financial assets (Refer Note 8)	$'000	36	49
Change in fair value of hedges recognised in other comprehensive income	$'000	36	49

At balance date, 59.5% of the Group's drawn debt is hedged (30 June 2022: nil). The interest on the swaps is settled quarterly on dates coinciding with the dates on which interest is payable on the underlying debt.

15. SHARE CAPITAL

Ordinary shares

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

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

	Consolidated			
Issues of ordinary shares during the period	**31 Dec 2022 Number**	**31 Dec 2022 $'000**	**30 June 2022 Number**	**30 June 2022 $'000**
Opening balance	237,186,521	98,422	232,384,417	95,652
Shares issued under the Dividend Reinvestment Plan	2,685,348	1,492	4,802,104	2,844
Shares issued under long-term incentive scheme	429,362	120	-	-
Shares issued under entitlement offer	60,075,228	28,236	-	-
Transaction costs (net of tax)	-	(1,216)	-	(74)
Closing balance	300,376,459	127,054	237,186,521	98,422

Pursuant to the Company's fully underwritten Dividend Reinvestment Plan:

- On 28 September 2021, 2,284,531 shares were issued at $0.5988 for the 2021 financial year final dividend.
- On 23 March 2022, 2,517,573 shares were issued at $0.5862 for the 2022 financial year interim dividend.
- On 06 October 2022, 2,685,348 shares were issued at $0.5557 for the 2022 financial year final dividend.

Pursuant to the Company's Omnibus Equity Plan:

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

Pursuant to the Company's Entitlement Offer:

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

16. FAIR VALUES

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

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

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

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

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

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

17. RELATED PARTY TRANSACTIONS

	Sales to related parties		**Amounts owed by related parties**	
	31 Dec 2022 $'000	**31 Dec 2021 $'000**	**31 Dec 2022 $'000**	**31 Dec 2021 $'000**
Joint venture				
Management fees	160	150	58	53

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.

18. 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.

19. COMMITMENTS

As at 31 December 2022, the Group had the following commitments:

- The Group has a fully cancellable contract with the appointed builder for its Brassall development of 51 premium freestanding 2-bedroom residences. The total contract value is $8.42 million (GST exclusive), and is subject to rise and fall. At balance date, the contractual amount has not been recognised as a liability, and $nil has been spent.

The Group had no other material commitments as at 31 December 2022.

20. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

- Dividend - the Company has declared an interim dividend in respect of the period of 0.67 cents per share, payable on 6 April 2023 amounting to $2.01 million. The record date is 17 March 2023. The Group's dividend reinvestment plan is effective for this dividend.

Other than the above-mentioned items, no other matter or circumstance has arisen since 31 December 2022 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 2022

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 2022 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 27th day of February 2023

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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 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

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

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

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

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
27 February 2023

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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 2022, 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 2022 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 2022 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*.

Building a better working world

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

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
27 February 2023

Corporate Directory

Contact Details

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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

Company Secretary
Patricia Vanni de Oliveira

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

Australian Business Number
15 097 241 159