*Rule 4.3A*

# Appendix 4E

## Preliminary Final Report
## Period ending on or after 30 June 2006

## EUMUNDI GROUP LIMITED
**ACN 010 947 476**

### 1. REPORTING PERIOD

The financial information contained in this report is for the year ended 30 June 2006.

Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2005.

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | | |
|---|---|---|---|---|---|
| | | | ($'000) | | ($'000) |
| 2.1 | Revenues from ordinary activities | down | $2,414 | to | $15,147 |
| 2.2 | Profit (loss) from ordinary activities after tax attributable to members | up | $1,616 | to | $4,211 |
| 2.3 | Net Profit (loss) for the period attributable to members | up | $1,616 | to | $4,211 |
| 2.4 | Dividends | It is not proposed to pay a dividend with respect to Ordinary Shares | | | |
| 2.5 | Record date for determining entitlements to the final dividend | Not Applicable | | | |
| 2.6 | In 2005 / 06, the group recorded a profit of $4,211,000 which is an improvement of $1,616,000 over the 2004 / 05 reported profit of $2,595,000 | | | | |

**Discussion and analysis of results**

Eumundi Group Limited has recorded a profit after tax of $4,211,000 for the year ended 30 June 2006. This reflects an increase in profit of $1,616,000 up from a profit of $2,595,000 for the prior year. The current year profit includes a gain on sale of the Sunnybank shopping centre of $2,586,000, a fair value increase on revaluation of Investment Properties $1,265,000, and the early termination of the Castlemaine Licence and Option agreement $600,000. The prior year's profit includes a gain on sale of the Imperial Hotel of $768,000.

Revenue of $15,147,000 represents a decrease of 13.7% compared to $17,561,000 for the prior year. Prior year includes revenues of $2,633,000 for the Imperial Hotel which was sold on 24 January 2005. Excluding this item, revenue has increased $219,000 or 1.5%.

The 2004/05 result also included a full year of revenue from the Sunnybank shopping centre whereas the current year includes only 4 months revenue from that investment property, and 7 months revenue from the Banksia Beach shopping centre.

In the current year earnings from liquor has been above budget while gaming revenue fell just short of budget as a result of reduced revenue following the implementation of the first phase of the smoking restrictions in July 2005. Earnings from investment properties have continued to strengthen as incentives expire and market reviews are achieved.

Expenses for the year were $12,999,000, a decrease of 19.73% from $16,196,000 in the prior year. Prior year expenses include $857,000 attributable to the Imperial Hotel and $313,000 decrement on fair value adjustment. Excluding these items, expenses have decreased by $2,027,000 or 13%. This decrease is largely attributable to the decrease in borrowing costs due to debt reductions upon the sale of the Imperial Hotel in January 05 and the Sunnybank investment property in November 2005.

**Financial Position**

Net assets at 30 June 2006 were $23,238,000, an increase of 25% from $18,532,000 at 30 June 2005. This represents 27.6 cents per share at 30 June 2006 compared to 22 cents per share at 30 June 2005.

This increase is largely attributable to the significant profit achieved, combined with the increment on revaluation of $429,000 (net of tax) for the Ashmore Tavern land and buildings (based upon an independent valuation at 30 June 2006), and the revaluation increment on listed investments of $66,000 (net of tax). The proceeds from the sale of the Sunnybank shopping centre was used to purchase the Banksia Beach shopping centre and to reduce the commercial bill borrowings which have reduced by $8,250,000 to $17,500,000 at 30 June 2006 from $25,750,000 at 30 June 2005 (face value).

**Dividends**

It is not proposed to pay any dividends at this time.

## 3. PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

| | | Consolidated | |
|---|---|---|---|
| | Note | 2006 $'000 | 2005 $'000 |
| Revenues | 3.1 | 15,147 | 17,561 |
| Other income | 3.2 | 3,851 | 771 |
| Expenses | 3.3 | (11,471) | (14,123) |
| Finance costs | 3.4 | (1,528) | (2,073) |
| Profit before income tax expense | | 5,999 | 2,136 |
| Income tax (expense)/benefit | 3.5 | (1,788) | 459 |
| **Profit for the year** | | 4,211 | 2,595 |

*The above Profit and Loss Statement should be read in conjunction with the attached notes.*

### Notes to Profit and Loss Statement

### 3.1 Revenues

| | Consolidated | |
|---|---|---|
| | 2006 $'000 | 2005 $'000 |
| Sale of goods | 7,774 | 9,983 |
| Gaming revenue | 3,303 | 3,428 |
| Rental income and recoveries from investment properties | 2,991 | 3,599 |
| | 14,068 | 17,010 |
| Termination fee * | 600 | - |
| Royalties | - | 1 |
| License fees | 75 | 75 |
| Interest | 91 | 77 |
| Imputed interest on long term receivable | 43 | 71 |
| Rent | 4 | 47 |
| Consulting Fees | 67 | - |
| Commissions | 129 | 141 |
| Reversal of provision for non-recovery no longer required | - | - |
| Other | 70 | 139 |
| | 1,079 | 551 |
| Total revenue | 15,147 | 17,561 |

* In May 2006 the Licence agreement with Castlemaine Perkins Pty Ltd was terminated early. On termination the Group received a lump payment of $600,000 with the ownership of the Eumundi beer brands vesting with Castlemaine Perkins Pty Ltd.

### 3.2 Other income

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Net gain on fair value adjustment – investment properties (note 4.11) | 1,265 | - |
| Net gain on disposal of Imperial Hotel (note 4. 10) | - | 768 |
| Net gain on sale of plant and equipment | - | 3 |
| Net gain on sale of investment property (note 4.11) | 2,586 | - |
| | 3,851 | 771 |

### 3.3 Expenses

**Classification of expenses by nature**

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Purchase of inventories | 5,633 | 6,899 |
| Changes in inventories | (35) | (1) |
| Employee benefits expense | 1,595 | 1,862 |
| Depreciation and amortisation expense | 278 | 293 |
| Insurance | 80 | 159 |
| Operating lease rentals | 224 | 240 |
| Rates and taxes | 82 | 102 |
| Outgoings – investment properties | 601 | 635 |
| Net loss on fair value adjustment – investment properties | - | 313 |
| Management fee | 124 | 121 |
| Gaming machine tax | 1,502 | 1,535 |
| Other expenses | 1,387 | 1,965 |
| | 11,471 | 14,123 |

### 3.4 Finance costs

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Finance costs | | |
| - Amortisation of loan establishment costs | 57 | 83 |
| - Interest and finance charges paid/payable | 1,471 | 1,990 |
| | 1,528 | 2,073 |

## 3.5 Income tax expense

| | Consolidated | |
|---|---|---|
| | 2006 | 2005 |
| | $'000 | $'000 |
| **(a) Income tax expense** | | |
| Current tax | 1,166 | 152 |
| Prior year tax losses not recognised now recouped against current tax | - | (104) |
| Deferred tax | 622 | 470 |
| Prior year tax losses not recognised now recouped against deferred tax | - | (977) |
| | 1,788 | (459) |
| **(b) Numerical reconciliation of income tax to prima facie tax payable is as follows:** | | |
| Profit before income tax expense | 5,999 | 2,136 |
| Income tax calculated at 30% (2005: 30%) | 1,800 | 641 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Reversal of provision for non-recovery of amount owing by controlled entity | - | - |
| Sundry items | (12) | (19) |
| | 1,788 | 622 |
| Prior years tax losses not recognised now recouped | | |
| - against current tax | - | (104) |
| - against deferred tax | - | (977) |
| Income tax expense | 1,788 | (459) |

| **(c) Deferred Income Tax at 30 June relates to the following:** | Balance Sheet | | Income Statement | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $'000 | $'000 | $'000 | $'000 |
| Investment properties | (682) | (27) | 655 | 292 |
| Property, plant and equipment | (2,057) | (1,926) | (54) | 108 |
| Employee benefits | 48 | 38 | (10) | 3 |
| Accrued expenses | 14 | 10 | (4) | (3) |
| Sundry Items | 127 | 190 | 35 | 70 |
| Tax losses | 897 | 1,698 | - | - |
| Net deferred tax liabilities | (1,653) | (17) | | |
| Net deferred tax expense | | | 622 | 470 |

| | Consolidated | |
|---|---|---|
| | 2006 | 2005 |
| | $'000 | $'000 |
| **(d) Amounts recognised directly in equity** | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity: | | |
| Net deferred tax (credited) directly to equity | 213 | 523 |
| **(e) Franking credits** | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2005 – 30%) | 413 | 48 |

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## 4. BALANCE SHEET AS AT 30 JUNE 2006

| | Notes | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4.1 | 2,437 | 2,050 |
| Trade and other receivables | 4.2 | 279 | 214 |
| Inventories | 4.3 | 799 | 764 |
| Available-for-sale financial assets | 4.4 | 135 | - |
| Other financial assets | 4.5 | - | 41 |
| Other assets | 4.6 | 126 | 64 |
| TOTAL CURRENT ASSETS | | 3,776 | 3,133 |
| NON-CURRENT ASSETS | | | |
| Other receivables | 4.7 | 672 | 779 |
| Available-for-sale financial assets | 4.8 | 64 | - |
| Other financial assets | 4.9 | - | 64 |
| Property, plant and equipment | 4.10 | 11,833 | 11,271 |
| Investment properties | 4.11 | 27,300 | 29,770 |
| Intangible assets | 4.12 | 87 | 89 |
| Other assets | 4.13 | - | 153 |
| TOTAL NON-CURRENT ASSETS | | 39,956 | 42,126 |
| TOTAL ASSETS | | 43,732 | 45,259 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 4.14 | 1,103 | 992 |
| Borrowings | 4.15 | 834 | 1,278 |
| Current tax liabilities | | 365 | 48 |
| Provisions | 4.16 | 145 | 112 |
| TOTAL CURRENT LIABILITIES | | 2,447 | 2,430 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 4.17 | 16,379 | 24,265 |
| Deferred tax liabilities | 4.18 | 1,653 | 17 |
| Provisions | 4.19 | 15 | 15 |
| TOTAL NON-CURRENT LIABILITIES | | 18,047 | 24,297 |
| TOTAL LIABILITIES | | 20,494 | 26,727 |
| **NET ASSETS** | | 23,238 | 18,532 |
| **EQUITY** | | | |
| Contributed equity | 4.20 | 13,013 | 13,013 |
| Reserves | 4.21(a) | 5,270 | 4,775 |
| Retained profits | 4.21(b) | 4,955 | 744 |
| **TOTAL EQUITY** | | 23,238 | 18,532 |

*The above balance sheet is to be read in conjunction with the attached notes*

## Notes to Balance Sheet

### 4.1 Current assets - Cash and cash equivalents

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Cash at bank and in hand | 837 | 2,050 |
| Deposits | 1,600 | - |
| | 2,437 | 2,050 |

**Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Balances as above | 2,437 | 2,050 |
| Bank overdraft (note 4.15) | (34) | - |
| Balances per statement of cash flows | 2,403 | 2,050 |

Deposits have an average maturity of 30 days.

### 4.2 Current assets - Trade and other receivables

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Trade receivable | 16 | 34 |
| Other receivables* | 263 | 180 |
| | 279 | 214 |

* Refer to note 4.7 for the non-current portions of these receivables and related explanations.

### 4.3 Current assets - Inventories

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Finished goods – at cost | 799 | 764 |

### 4.4 Current assets- Available–for-sale financial assets

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Shares in listed companies – at fair value | 135 | - |
| | | |
| At beginning of year | - | - |
| Reclassification on adoption of AASB 132 and AASB 139 | 41 | - |
| Fair value adjustment | 94 | - |
| | 135 | - |

Refer note 4.5 for discussion of transition to AASB 132 and AASB 139.

**4.5 Current assets - Other financial assets**

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Shares in listed companies – at recoverable amount | - | 41 |

**Transition to AASB 132 and AASB 139**

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005, for the Group equity securities with a carrying value of $41,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and reclassified as available-for-sale financial assets. The carrying amount at 1 July 2005 equalled fair value.

**4.6 Current assets - Other assets**

| | Consolidated | |
|---|---|---|
| | 2006 $'000 | 2005 $'000 |
| Short term deposits | 10 | 10 |
| Prepayments | 116 | 54 |
| | 126 | 64 |

| **4.7 Non-current assets – Other receivables** | Consolidated | |
|---|---|---|
| | 2006 $'000 | 2005 $'000 |
| Other receivables | 672 | 779 |

Other receivables includes amounts owing by Carlton and United Beverages Ltd of $778,000 (2005: $885,000), being the proceeds from termination of a brewing contract. The receivable will be settled by way of a further 6 annual instalments of $150,000 per annum ending on 1 November 2011. The Carlton and United Beverages Ltd receivable has been discounted to its present value using a discount rate of 5.9% pa. Imputed interest is brought to account as income over the term of the receivable.

| **4.8 Non-current assets – Available-for-sale financial assets** | Consolidated | |
|---|---|---|
| | 2006 $'000 | 2005 $'000 |
| Unlisted securities | 64 | - |

Refer to note 4.9 for discussion on transition to AASB 132 and AASB 139.

**4.9 Non-current assets - Other financial assets**

| | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Other unlisted securities | - | 64 |
| | - | 64 |

These assets are held at cost less provision for impairment.

### Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005, for the Group equity securities with a carrying value of $64,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and reclassified as available-for-sale financial assets.

## 4.10 Non-current assets- Property, plant and equipment

| Consolidated | Freehold Land<br>$'000 | Buildings<br>$'000 | Plant and equipment<br>$'000 | Leased plant and equipment<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| **At 1 July 2004** | | | | | |
| Cost or fair value | 8,275 | 3,700 | 2,033 | 248 | 14,256 |
| Accumulated depreciation | - | - | (1,480) | (68) | (1,548) |
| Net book amount | 8,275 | 3,700 | 553 | 180 | 12,708 |
| **Year ended 30 June 2005** | | | | | |
| Opening net book amount | 8,275 | 3,700 | 553 | 180 | 12,708 |
| Revaluation increment | 1,500 | 343 | - | - | 1,843 |
| Additions | - | 53 | 212 | | 265 |
| Transfer from lease | - | - | 8 | (8) | - |
| Disposals | (2,750) | (256) | (166) | (83) | (3,255) |
| Depreciation charge | - | (107) | (147) | (36) | (290) |
| Closing net book amount | 7,025 | 3,733 | 460 | 53 | 11,271 |
| **At 30 June 2005** | | | | | |
| Cost or fair value | 7,025 | 3,733 | 1,597 | 105 | 12,460 |
| Accumulated depreciation | - | - | (1,137) | (52) | (1,189) |
| Net book amount | 7,025 | 3,733 | 460 | 53 | 11,271 |

| Consolidated | Freehold Land | Buildings | Plant and equipment | Leased plant and equipment | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 July 2005** | | | | | |
| Cost or fair value | 7,025 | 3,733 | 1,597 | 105 | 12,460 |
| Accumulated depreciation | - | - | (1,137) | (52) | (1,189) |
| Net book amount | 7,025 | 3,733 | 460 | 53 | 11,271 |
| **Year ended 30 Jun 2006** | | | | | |
| Opening net book amount | 7,025 | 3,733 | 460 | 53 | 11,271 |
| Revaluation increment | 475 | 138 | - | - | 613 |
| Additions | - | 11 | 259 | - | 270 |
| Transfer from lease | - | - | 37 | (37) | - |
| Disposals | - | (45) | - | - | (45) |
| Depreciation charge | - | (87) | (173) | (16) | (276) |
| Closing net book amount | 7,500 | 3,750 | 583 | - | 11,833 |
| **At 30 June 2006** | | | | | |
| Cost or fair value | 7,500 | 3,750 | 1,904 | - | 13,154 |
| Accumulated depreciation | - | - | (1,321) | - | (1,321) |
| Net book amount | 7,500 | 3,750 | 583 | - | 11,833 |

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

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2006 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 22 June 2006. Based on this valuation the fair value of the Ashmore Tavern was reassessed resulting in a revaluation increment of $475,000 being recognised for freehold land and $138,000 for buildings.

As at 31 December 2004 an independent valuation of the Ashmore Tavern was carried out by Burgess Rawson (registered property valuers) for refinance purposes on behalf of the company's lender. The valuers were instructed to assess the market value of the property on a going concern basis. Based on this valuation the fair value of the Ashmore Tavern was reassessed resulting in a revaluation increment of $1,500,000 being recognised for freehold land and $343,000 for buildings. As at 30 June 2005 the directors assessed the fair value of land and buildings and determined that it approximated the carrying amount.

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

Refer to note 4.17(a) for details of assets pledged as security by the parent entity and its controlled entities.

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

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

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| **Freehold land** | | |
| Cost | 3,026 | 3,026 |
| Accumulated depreciation | - | - |
| Net book amount | 3,026 | 3,026 |
| | | |
| **Buildings** | | |
| Cost | 1,276 | 1,329 |
| Accumulated depreciation | (290) | (268) |
| Net book amount | 986 | 1,061 |

**(d) Sale of Imperial Hotel**

During January 2005 the Group sold the Imperial Hotel. Details of the sale were as follows:

| | Consolidated 2005 $'000 |
|---|---|
| **Consideration – cash** | 4,474 |
| | |
| **Less carrying amount of assets sold** | |
| Freehold land | 2,750 |
| Buildings | 256 |
| Plant and equipment | 235 |
| Licence | 6 |
| Inventories | 424 |
| Other | 9 |
| Carrying amount of assets sold | 3,680 |
| Disposal costs | 26 |
| **Gain on sale of Imperial Hotel** | 768 |

The assets sold were held by Eumundi Group Hotels Pty Ltd, a subsidiary of Eumundi Group Limited.

**4.11 Non-current assets – Investment properties**

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| **At fair value** | | |
| Opening balance at 1 July | 29,770 | 29,770 |
| Acquisition (c) | 8,501 | - |
| Straight line rentals | 172 | 313 |
| Disposal (d) | (12,408) | - |
| Net gain /(loss) from fair value adjustment | 1,265 | (313) |
| | 27,300 | 29,770 |

**(a) Valuation basis**

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 30 June 2006 revaluations were based on independent assessments made by a member of the Australian Property Institute.

As at 31 December 2004 an independent valuation of both properties was carried out by Knight Frank (registered property valuers) for refinance purposes on behalf of the company's lender. The total valuation amount for the properties was $29,650,000. At 30 June 2005, based on this valuation the directors assessed that the fair value of the properties did not differ significantly from the carrying amount and as such no adjustment was required.

| Property | Acquisition Date | Purchase Price* $'000 | Valuation 2005 $'000 | Valuation 2006 $'000 |
|---|---|---|---|---|
| Aspley Shopping Centre | March 2004 | 17,362 | 17,400 | 19,000 |
| Sunnybank Shopping Centre | March 2004 | 12,408 | 12,250 | N/A |
| Banksia Beach Shopping Village | November 2005 | 7,925 | N/A | 8,300 |

* excluding acquisition costs

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

Refer to note 4.18(a) for details of assets pledged as security by the parent entity and its controlled entities.

**(c) Acquisition – Banksia Beach Shopping Village**

In November 2005 the Group acquired the Banksia Beach shopping centre plus two adjoining vacant land lots for $7.925 million (being the purchase price) plus acquisition costs of approximately $576,000 which included stamp duty, legal fees, commissions and other ancillary costs.

**(d) Disposal – Sunnybank Hills Shopping Centre**

In November 2005 the Group sold the Sunnybank Hills hotel/shopping centre. Details of the sale are as follows –

| | $'000 |
|---|---|
| Consideration – cash | 15,300 |
| Disposal costs | (306) |
| | 14,994 |
| Less: | |
| Carrying value of investment property | (12,408) |
| Gain on disposal | 2,586 |

**(e) Amounts recognised in profit and loss for investment property**

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Rental income and recoveries from investment properties | 2,991 | 3,599 |
| Direct operating expenses from property that property that generated rental income | (601) | (635) |
| | 2,390 | 2,964 |

**(f) Contractual obligations**

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

**(g) Leasing arrangements**

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

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| Within one year | 2,175 | 2,772 |
| Later than one year but not later than five years | 6,660 | 9,268 |
| Later than five years | 3,241 | 8,185 |
| Total | 12,076 | 20,225 |

## 4.12 Non-current assets - Intangible assets

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| **Hotel Licences** | | |
| **At 1 July** | | |
| Cost | 104 | 110 |
| Accumulated amortisation | (15) | (12) |
| Net book amount | 89 | 98 |
| **Year Ended 30 June** | | |
| At 1 July | | |
| Opening net book amount | 89 | 98 |
| Disposal | - | (6) |
| Amortisation charge | (2) | (3) |
| Closing net book amount | 87 | 89 |
| **At 30 June** | | |
| Cost | 104 | 104 |
| Accumulated amortisation | (17) | (15) |
| Net book amount | 87 | 89 |

## 4.13 Non-current assets – Other assets

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| Loan establishment costs | - | 282 |
| Less accumulated amortisation | - | (129) |
| | - | 153 |

Loan establishment costs related to the renegotiation and extension of the commercial bill facilities and were being amortised over the terms of the commercial bills on a proportionate basis. The expense was included in finance costs.

**Transition to AASB 132 and AASB 139**

The Group has taken the exemption available under AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005, for the Group loan establishment costs with a carrying value of $153,000 classified under previous AGAAP as other non-current assets were reclassified and offset against the commercial bills to which they relate (as they comprised transaction costs relating to the borrowings).

### 4.14 Current liabilities – Trade and other payables

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| Trade payables | 589 | 566 |
| Other payables | 514 | 426 |
| | 1,103 | 992 |

### 4.15 Current liabilities – Borrowings

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| **Secured** | | |
| Bank overdraft | 34 | - |
| Commercial bills | 800 | 1,250 |
| Lease liabilities | - | 28 |
| | 834 | 1,278 |

Refer to note 4.17(a) for details of the finance facilities and assets pledged as security.

### 4.16 Current liabilities – Provisions

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| Employee benefits | 145 | 112 |

### 4.17 Non-current liabilities - Borrowings

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| **Secured** | | |
| Commercial bills | 16,379 | 24,265 |

#### (a) Assets pledged as security

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

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

As such all assets are pledged as security for borrowings.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

#### (b) Financing arrangements

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

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| **Credit standby arrangements** | | |
| Total facilities | | |
| Bank overdraft | 100 | 100 |
| Finance lease liabilities | 400 | 400 |
| Commercial bill facility | 18,950 | 25,750 |
| | 19,450 | 26,250 |
| Used at balance date | | |
| Bank overdraft | 34 | - |
| Finance lease liabilities | - | 28 |
| Commercial bill facility | 17,500 | 25,750 |
| | 17,534 | 25,778 |
| Unused at balance date | | |
| Bank overdraft | 66 | 100 |
| Finance lease liabilities | 400 | 372 |
| Commercial bill facility | 1,450 | - |
| | 1,916 | 472 |

**Bank overdraft**
Standby funds provided by the consolidated entity's bankers are in the form of a bank overdraft which has a limit of $100,000 (2005: $100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

**Commercial bills**
The facilities are subject to annual review. Further details are outlined below.

| Amount Drawn 2006 $'000 | Amount Drawn 2005 $'000 | Interest Rate 2006 % | Interest Rate 2005 % | Interest type | Expiry Date | Repayment Terms |
|---|---|---|---|---|---|---|
| - | 450 | - | 6.8 | Variable | 30/4/07 | Interest only until expiry |
| 15,000 | 15,800 | 7.1 | 7.1 | Fixed | 30/3/09 | Quarterly principal payments of $200,000 |
| 2,500 | 9,500 | 7.0 | 6.8 | Variable | 31/7/07 | Interest only until expiry |
| 17,500 | 25,750 | | | | | |

The term of the $450,000 bill was extended from 30/04/06 during the current year.

**Finance lease liabilities**

The consolidated entity has a lease finance facility of $400,000 (2005: $400,000) which may only be used to finance plant and equipment. Where applicable the leases are repayable in fixed monthly instalments of principal and interest over the term of the respective leases.

**4.18 Non-current liabilities – Deferred tax liabilities**

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Net deferred tax liabilities | 1,653 | 17 |

### 4.19 Non-current liabilities – Provisions

| | Consolidated 2006 $'000 | 2005 $'000 |
|---|---|---|
| Employee benefits | 15 | 15 |

### 4.20 Contributed equity

| Share capital | 2006 Number of Shares | 2005 Number of Shares | 2006 $'000 | 2005 $'000 |
|---|---|---|---|---|
| Fully paid ordinary shares | 84,331,609 | 84,331,609 | 13,013 | 13,013 |

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

**Movements in share capital**

| Date | Details | Number of Shares | Issue Price | $'000 |
|---|---|---|---|---|
| 1 July 2004 | Balance | 68,341,946 | | 10,842 |
| 16 July 2004 | Issued pursuant to a share placement | 15,989,663 | 14¢ | 2,239 |
| | Share issue costs net of tax | - | | (68) |
| 30 June 2005 | Balance | 84,331,609 | | 13,013 |

There was no movement in issued shares in the 2006 financial year.

All shares issued under the share placement were issued for cash.

**Options**

As at 30 June 2006, there were no options to purchase ordinary shares in the parent entity (2005: nil).

### 4.21 Reserves and retained profits

| (a) Reserves | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Available-for-sale asset revaluation reserve | 66 | - |
| Property, plant and equipment revaluation reserve | 5,204 | 4,775 |
| | 5,270 | 4,775 |
| Movements in reserves: | | |
| Property, plant and equipment reserve | | |
| Balance at the beginning of the year | 4,775 | 5,025 |
| Gain on revaluation of freehold land and buildings (net of tax)* | 429 | 1,290 |
| Transfer to accumulated losses on disposal of Imperial Hotel | - | (1,540) |
| Balance at the end of the year | 5,204 | 4,775 |
| * Gross before tax - $613,000 (2005 - $1,843,000) | | |
| Available-for-sale asset revaluation reserve | | |
| Balance at the beginning of the year | - | - |
| Change in fair value of listed securities* | 66 | - |
| Balance at the end of the year | 66 | - |
| * Gross before tax - $94,000 (2005 - $nil) | | |
| Total reserves | 5,270 | 4,775 |

| (b) Retained profits | 2006 $'000 | 2005 $'000 |
|---|---|---|
| Retained profits/(accumulated losses) at the beginning of the financial year | 744 | (3,391) |
| Profit for the year | 4,211 | 2,595 |
| Transfer from asset revaluation reserve | - | 1,540 |
| Retained profits at the end of the financial year | 4,955 | 744 |

## 5. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

| | Notes | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 16,494 | 18,814 |
| Payments to suppliers and employees | | (12,814) | (15,700) |
| Interest received | | 87 | 77 |
| Finance costs | | (1,461) | (1,965) |
| Income tax paid | | (48) | - |
| Receipts from other debtors | | 150 | 150 |
| **Net cash inflows/(outflows) from operating activities** | 5(a) | 2,408 | 1,376 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of investment properties | 4.11 | 14,994 | - |
| Payments for investment properties | 4.11 | (8,501) | - |
| Payments for property, plant & equipment | 4.10 | (270) | (265) |
| Proceeds from disposals of property, plant & equipment | | - | 17 |
| Proceeds from disposal of Imperial Hotel | 4.10 | - | 4,474 |
| Payments for other non-current assets | | - | (16) |
| **Net cash inflows/(outflows) from investing activities** | | 6,223 | 4,210 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | (8,250) | (6,500) |
| Repayment of lease liabilities | | (28) | (130) |
| Proceeds from issue of share capital | | - | 2,239 |
| Transaction costs arising on issue of share capital | | - | (97) |
| **Net cash inflows/(outflows) from financing activities** | | (8,278) | (4,488) |
| **Net increase/(decrease) in cash and cash equivalents** | | 353 | 1,098 |
| Cash and cash equivalents at beginning of year | | 2,050 | 952 |
| **Cash and cash equivalents at end of year** | 4.1 | 2,403 | 2,050 |

*The above cash flow statement is to be read in conjunction with the attached notes.*

### 5.1 NOTES TO THE STATEMENT OF CASH FLOWS

**(i) Reconciliation of profit for the year to cash flows from operating activities:**

| | Consolidated 2006 $'000 | Consolidated 2005 $'000 |
|---|---|---|
| Profit for the year | 4,211 | 2,595 |
| Depreciation and amortisation | 278 | 293 |
| (Gain)/loss on sale of property, plant and equipment excluding Imperial Hotel | 45 | (3) |
| Straight line rental adjustment | (172) | (313) |
| (Increment)/decrement on revaluation of investment properties to fair value | (1,265) | 313 |
| Gain on sale of Imperial Hotel | - | (768) |
| Gain on sale of Sunnybank Shopping Centre | (2,586) | - |
| Other | 67 | (70) |
| Changes in operating assets and liabilities (net of assets sold): | | |
| (Increase)/decrease in: | | |
| Trade accounts receivable | 18 | 191 |
| Other debtors/receivables | 24 | 34 |
| Deferred tax asset | - | - |
| Inventories | (35) | (1) |
| Other current assets | (62) | 76 |
| Increase/(decrease) in: | | |
| Trade accounts payable | 111 | (504) |
| Income tax payable | 317 | 48 |
| Deferred tax liability* | 1,424 | (506) |
| Employee benefits | 33 | (9) |
| Cash flows from operating activities | 2,408 | 1,376 |

* net amounts recognised directly in equity

**(ii) Non-Cash Financing and Investing Activities**

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

### 6. DIVIDENDS

The directors have indicated that it is not proposed to pay a dividend with respect to Ordinary Shares until such time as borrowings are reduced and existing tax losses are extinguished.

### 7. DIVIDEND REINVESTMENT PLANS

Not Applicable

### 8. NET TANGIBLE ASSET BACKING

| | Consolidated 2006 Cents | Consolidated 2005 Cents |
|---|---|---|
| Net tangible asset backing per ordinary security | 27.6 | 22.0 |

## 9. EARNINGS PER SHARE

| **(a) Basic earnings per share** | **Consolidated 2006** | **2005** |
|---|---|---|
| Basic earnings per share | 4.99¢ | 3.10¢ |

| **(b) Diluted earnings per share** | **Consolidated 2006** | **2005** |
|---|---|---|
| Diluted earnings per share | 4.99¢ | 3.07¢ |

| **(c) Reconciliation of earnings used in calculating earnings per share** | **Consolidated 2006** | **2005** |
|---|---|---|
| | **$'000** | **$'000** |
| *Basic earnings per share* | | |
| Profit attributable to the ordinary equity hold holders of the company used in calculation basic earnings per share | 4,211 | 2,595 |
| *Diluted earnings per share* | | |
| Profit attributable to the ordinary equity hold holders of the company used in calculation basic earnings per share | 4,211 | 2,595 |

| **(d) Weighted average number of shares used the denominator** | **Number of Shares 2006** | **2005** |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 84,331,609 | 83,630,692 |
| Adjustment for calculation of diluted earnings per share options | - | 875,533 |
| Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share | 84,331,609 | 84,506,225 |

**(e) Information concerning the classification of securities**

*(i) Partly paid ordinary shares*

There are no partly paid ordinary shares

*(ii) Options*

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

## 10. CONTINGENT ASSET – AIRLIE BEACH LAGOON

As previously discussed in previous annual reports and other ASX releases, the company acquired a minority (23.3%) interest in Airlie Beach Lagoon Holdings Ltd (ABLH). ABLH is controlled by FKP Limited and had secured a lease to develop a property at Airlie Beach, Queensland to be known as Airlie Beach Lagoon Resort.

On 5th September 2006, the Queensland Government announced that if re-elected they would not approve the planned development of this site. The Directors are considering the available alternatives in respect of this matter.

At 30 June 2006 the consolidated entity had incurred expenditure totaling $116,000 (2004: $114,000) in respect to this project which has been expensed. No value is held in relation to this matter in the consolidated financial statements.

## 11. CONTINGENT LIABILITIES

As at 30 June 2006, the consolidated entity had no material contingent liabilities.

## 12. CHANGES IN CONTROL OVER GROUP ENTITIES

During the year ended 30 June 2006 there were no changes (gained or lost) in the control exercised by the company over group entities.

## 13. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not Applicable

## 14. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO AIFRS

### Explanation of Transition to Australian Equivalents to IFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (“AGAAP’) are illustrated below.

**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)**

**(a) At Date of Transition to AIFRS's: 1 July 2004**

| | | Consolidated | | |
|---|---|---|---|---|
| | **Notes** | **Previous AGAAP $'000** | **Effect of transition to AIFRS $'000** | **AIFRS $'000** |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 1,022 | - | 1,022 |
| Receivables | | 353 | - | 353 |
| Inventories | | 1,187 | - | 1,187 |
| Other financial assets | | 41 | - | 41 |
| Other assets | (ix) | 395 | (255) | 140 |
| **Total current assets** | | 2,998 | (255) | 2,743 |
| | | | | |
| **Non-current assets** | | | | |
| Receivables | (vi) (vii) | 865 | - | 865 |
| Other financial assets | | 50 | - | 50 |
| Property, plant and equipment | | 12,708 | - | 12,708 |
| Investment properties | (i)(ii) | 29,770 | - | 29,770 |
| Deferred tax asset | (vi) | - | - | - |
| Intangible assets | | 98 | - | 98 |
| Other assets | (iv) | 350 | (114) | 236 |
| **Total non-current assets** | | 43,841 | (114) | 43,727 |
| **Total assets** | | **46,839** | **(369)** | **46,470** |
| | | | | |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Payables | | 1,496 | - | 1,496 |
| Borrowings | | 4,537 | - | 4,537 |
| Provisions | | 128 | - | 128 |
| Other liabilities | | 139 | - | 139 |
| **Total current liabilities** | | 6,300 | - | 6,300 |
| | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | (x) | 27,941 | (255) | 27,686 |
| Provisions | | 8 | - | 8 |
| **Total non-current liabilities** | | 27,949 | (255) | 27,694 |
| **Total liabilities** | | **34,249** | **(255)** | **33,994** |
| | | | | |
| **Net assets** | | **12,590** | **(114)** | **12,476** |
| | | | | |
| **EQUITY** | | | | |
| Contributed equity | (viii) | 10,827 | 15 | 10,842 |
| Reserves | (iii)(v) | 6,700 | (1,675) | 5,025 |
| Accumulated losses | (i)(ii)(iii) (iv)(vi) | (4,937) | 1,546 | (3,391) |
| **Total equity** | | **12,590** | **(114)** | **12,476** |

**(b) At the end of last reporting period under previous AGAAP: 30 June 2005**

| | Notes | Consolidated Previous AGAAP $'000 | Effect of transition to AIFRS $'000 | AIFRS $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 2,050 | - | 2,050 |
| Receivables | | 214 | - | 214 |
| Inventories | | 764 | - | 764 |
| Other financial assets | | 41 | - | 41 |
| Other assets | (ix) | 299 | (235) | 64 |
| **Total current assets** | | 3,368 | (235) | 3,133 |
| **Non-current assets** | | | | |
| Receivables | (vi) (vii) | 779 | - | 779 |
| Other financial assets | | 64 | - | 64 |
| Property, plant and equipment | | 11,271 | - | 11,271 |
| Investment properties | | 29,770 | - | 29,770 |
| Deferred tax asset | (vi) | 42 | (42) | - |
| Intangible assets | | 89 | - | 89 |
| Other assets | (iv) | 269 | (116) | 153 |
| **Total non-current assets** | | 42,284 | (158) | 42,126 |
| **Total assets** | | **45,652** | **(393)** | **45,259** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Payables | | 992 | - | 992 |
| Borrowings | | 1,278 | - | 1,278 |
| Current tax liabilities | (v) | 533 | (485) | 48 |
| Provisions | | 112 | - | 112 |
| **Total current liabilities** | | 2,915 | (485) | 2,430 |
| **Non-current liabilities** | | | | |
| Borrowings | (x) | 24,500 | (235) | 24,265 |
| Deferred tax liabilities | (viii) | - | 17 | 17 |
| Provisions | | 15 | - | 15 |
| **Total non-current liabilities** | | 24,515 | (218) | 24,297 |
| **Total liabilities** | | **27,430** | **(703)** | **26,727** |
| **Net assets** | | **18,222** | **310** | **18,532** |
| **EQUITY** | | | | |
| Contributed equity | (viii) | 12,969 | 44 | 13,013 |
| Reserves | (v) | 6,821 | (2,046) | 4,775 |
| Retained Profits/(Accumulated losses) | (i)(ii)(iv)(v) (vi) (vii) | (1,568) | 2,312 | 744 |
| **Total equity** | | **18,222** | **310** | **18,532** |

**(2) Reconciliation of profit for the year ended 30 June 2005**

| | Notes | Consolidated | | |
|---|---|---|---|---|
| | | Previous AGAAP $'000 | Effect of transition to AIFRS $'000 | AIFRS $'000 |
| Revenue | (i) (vii) | 17,248 | 313 | 17,561 |
| Proceeds on disposal of assets* | | | | |
| - Imperial Hotel | | 4,474 | (4,474) | - |
| - Other | | 17 | (17) | - |
| Gain on disposal of assets* | | | | |
| - Imperial Hotel | | - | 768 | 768 |
| - Other | | - | 3 | 3 |
| Other income | | 4,491 | (3,720) | 771 |
| Purchase of inventories | | (6,899) | - | (6,899) |
| Change in inventories | | 1 | - | 1 |
| Employee benefits expense** | | (2,073) | 211 | (1,862) |
| Depreciation and amortisation expense | | (293) | - | (293) |
| Insurance | | (159) | - | (159) |
| Operating lease rentals | | (240) | - | (240) |
| Rates and taxes | | (102) | - | (102) |
| Outgoings – investment properties | | (635) | - | (635) |
| Net loss on fair value adjustment – investment properties | (ii) | - | (313) | (313) |
| Management fee | | (121) | - | (121) |
| Gaming machine tax | | (1,535) | - | (1,535) |
| Finance costs – net | | (2,073) | - | (2,073) |
| Carrying amount of assets sold/ written off* | | | | |
| - Imperial Hotel | | (3,680) | 3,680 | - |
| - Other | | (14) | 14 | - |
| Other expenses** | (iv) | (1,778) | (187) | (1,965) |
| | | (19,601) | 3,405 | (16,196) |
| Profit before income tax | | 2,138 | (2) | 2,136 |
| Income tax (expense) / benefit | (v) (vi) (vii) | (491) | 950 | 459 |
| Profit for the year | | 1,647 | 948 | 2,595 |

*reclassification of proceeds and carrying amount to show gain as other income under AIFRS
** reclassification of oncosts to other expenses

Summarised reconciliation of profit as at 30 June 2005

| | Notes | Consolidated 30 June 2005 $'000 |
|---|---|---|
| Profit after tax under AGAAP | | 1,647 |
| AIFRS adjustments: | | |
| Recognition of straight-line rentals | (i) | 313 |
| Fair value adjustment of investment properties | (ii) | (313) |
| Derecognised deferred asset | (iv) | (2) |
| Correction of error | (ix) | 485 |
| Recognition of deferred tax assets | (vi) | 465 |
| Provision for non-recovery-revision | (vii) | - |
| Profit after tax under AIFRS | | 2,595 |

**(3) Reconciliation of cash flow statement for the year ended 30 June 2005**

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

**(4) Notes to the reconciliations**

The adoption of AIFRS has resulted in adjustments to the Balance Sheet and Income Statement as follows:

(i) Rental revenue

Under AGAAP rental revenue was recognised in the income statement on an accruals basis as earned. Under *AASB 117 Leases*, rental revenue under leases which contain fixed increases is recognised in income on a straight-line basis over the lease term. At the date of transition this resulted in the creation of an asset which became a component of the investment properties.

(ii) Investment properties

Under AGAAP the consolidated entity initially record investment properties at cost, and subsequently revalue investment properties to fair value. Under *AASB 140 Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value are recognised in net profit or loss, for the period in which they arise.

(iii) Decrement on revaluation building

Under *AASB 116 Property Plant and Equipment* the consolidated entity elected to record land and buildings on the revaluation model. Under the AASB 116 revaluation model the treatment of increments and decrements on revaluations is determined on an individual asset basis rather than the class basis adopted by AGAAP. The effect of this change in policy is to transfer a decrement of $478,000 (recognised in respect of the Imperial Hotel building and offsetting a greater increment on the Ashmore Tavern building) from the Asset Revaluation Reserve to accumulated losses at transition date (1 July 2004). This adjustment is not necessary in the 2005 financial year as the property was sold in January 2005.

(iv) Deferred asset

Under AGAAP deferred costs in respect of the consolidated entity's interest in Airlie Beach Lagoon Holding Ltd were recorded as other non-current asset. As these costs do not relate specifically to the cost of the investment and they do not meet the definition of an intangible asset under AASB 138, they have been written off under AIFRS.

(v) Tax effect of revalued assets

*AASB 112 Income Taxes* requires the consolidated entity to use a balance sheet liability method, rather than the current income statement method. The balance sheet method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This has had an impact in respect of the revaluation of the land and buildings. As noted above, under the AIFRS balance sheet method of tax effect accounting, the difference between the carrying value of an asset (ie land and buildings) and its tax base gives rise to a deferred tax liability.

(vi) Deferred tax assets

Under AGAAP the consolidated entity did not recognise deferred tax assets as it was determined that in accordance with the relevant standard the 'virtual certainty' test could not be met. Under AIFRS it has been determined that a deferred tax asset should be recognised at transition date in accordance with *AASB 112 Income Taxes* as it is 'probable' that taxable profit will be available against which unused tax losses and deductible temporary differences can be utilised. A significant component of the deferred tax asset comprises the benefit of the tax losses which have been recognised to the extent of the deferred tax liability recognised in (v) above.

(vi) Deferred tax assets (continued)

In addition Eumundi Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of the tax consolidated entities as if those transactions, events and balances were its own.

Under AIFRS the parent entity only recognises the current tax payable and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(vii) Revision of provision for non-recovery

Due to the above adjustments upon adoption of AIFRS the recoverability of the amounts owing from controlled entities in the parent entity was reassessed and revised accordingly. This revision had no effect on the consolidated entity.

(viii) Share issue costs

Under AGAAP the tax benefit of certain items such as share issue cost was treated as a permanent difference with the reduction in income tax expense. Under AIFRS the tax benefit of these items is initially recognised as a credit to equity and a deferred tax asset. This has resulted in a reversal of the tax benefit recognised in income tax expense under AGAAP.

(ix) Correction of error

At 30 June 2005 the consolidated entity recognised current tax liabilities based on a calculation prepared at the time which included an estimate of the tax cost base of the Imperial Hotel which was sold during the 2005 financial year. The tax cost base of the Imperial Hotel was subsequently found to be significantly greater than the amount used in determining the current tax liability at 30 June 2005 for accounting purposes. The difference has been shown as an error in the above reconciliation.

(x) Prepaid discounts on commercial bills

Prepaid discounts on commercial bills have been reclassified from assets and deducted from the related borrowings.

## 15. FOREIGN ENTITIES

Not Applicable

## 16. SEGMENT INFORMATION

**Geographical Segments**

The group operates predominantly in Australia.

**Business Segments**

This group operates predominantly in the following business segments:

**Hotel Operations –** operations comprise the operation of the Ashmore Tavern for the full year and the Imperial Hotel until 24 January 2005 at which date the Imperial Hotel was sold.

**Investment –** operations comprise investment in commercial properties.

| **Primary reporting format – business segments 2006** | **Hotel Operations $'000** | **Investment $'000** | **Total $'000** |
|---|---|---|---|
| **Revenue** | | | |
| Sales to external customers | 11,077 | 2,991 | 14,068 |
| Other revenue/income | 879* | 3,917* | 4,796 |
| Total segment revenue/income | 11,956 | 6,908 | 18,864 |
| Unallocated revenue | | | 134 |
| Total revenue/income | | | 18,998 |
| **Results** | | | |
| Segment results | 1,912** | 6,307* | 8,219 |
| Unallocated revenue less unallocated expenses | | | (2,220) |
| Profit before income tax | | | 5,999 |
| Income tax expense | | | (1,788) |
| Profit for the year | | | 4,211 |
| **Assets** | | | |
| Segment assets | 15,422 | 27,480 | 42,902 |
| Unallocated assets | | | 830 |
| Total assets | | | 43,732 |
| **Liabilities** | | | |
| Segment liabilities | 1,029 | - | 1,029 |
| Unallocated liabilities | | | 19,465 |
| Total liabilities | | | 20,494 |
| **Other segment information** | | | |
| Acquisitions of property, plant and equipment, investment properties intangibles and other non-current assets | 252 | 8,501 | 8,753 |
| Unallocated acquisitions | | | 18 |
| Total acquisitions | | | 8,771 |
| Depreciation and amortisation | 272 | - | 272 |
| Unallocated | | | 6 |
| Total depreciation and amortisation | | | 278 |
| Other non-cash expenses (other than depreciation and amortisation) | - | - | - |

* includes gain on sale of Sunnybank Shopping Centre of $2,586,000 and fair value adjustment to investment properties $1,265,000

** includes termination fee of $600,000 (refer note 3.1)

**17. This report is based on accounts to which one of the following applies:**

☐ The accounts have been audited

☑ The accounts are in the process of being audited

☐ The accounts have been subject to review

☐ The accounts have *not* yet been audited or reviewed.

**18. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.**

Not applicable

**19. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below.**

Not applicable

Joe Ganim
Chairman
13 September 2006