
EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2007

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Corporate directory

Directors	Joseph Michael Ganim <i>Chairman</i> Gilbert De Luca Vernon Alan Wills
Company Secretary	Leni Stanley
Chief Executive Officer	Iain Thomson
Principal registered office in Australia	c/- Hopgood Ganim Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: (07) 3024 0000
Principal place of business	Level 15, 10 Market Street Brisbane Qld 4000 Telephone: (07) 3229 7222 Facsimile: (07) 3211 8222
Share Register	c/- Computershare Registry Services Pty Limited Level 27 Central Plaza One 345 Queen Street Brisbane Qld 4000 Telephone 1300 552 270
Auditor	Johnston Rorke Level 30 Central Plaza One 345 Queen Street Brisbane Qld 4000
Solicitors	Hopgood Ganim Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: (07) 3024 0000
Bankers	National Australia Bank 255 Adelaide Street Brisbane Qld 4000
Stock exchange listing	Eumundi Group Limited shares are listed on the Australian Securities Exchange
Web Site Address	www.eumundi-ltd.com.au

CHAIRMAN'S ADDRESS

REVIEW OF OPERATIONS

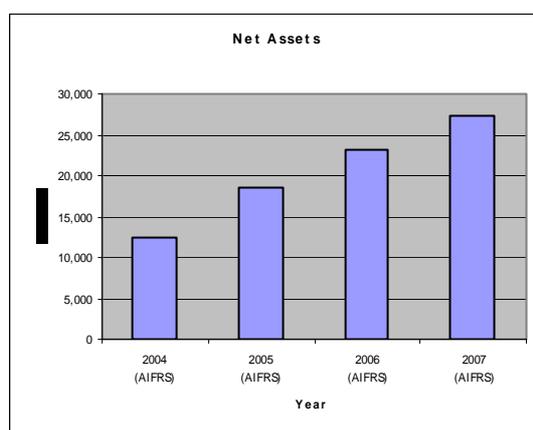
Eumundi Group has delivered a net profit after tax of \$2.427 million for the 2006/07 year. While the result is down \$1.784 million from the net profit in 2005/06, the prior year result included \$2.586 million profit on the sale of the Sunnybank Village Shopping Centre and \$0.6 million from the early termination of the Castlemaine licence agreement.

The current result is predominantly attributable to the improved value of the Groups investment properties which represented \$2.755 million excluding the write down of acquisition costs of \$0.707 for Aspley Arcade Shopping Centre. The early termination of the Murphy Hotel Management agreement added a further \$0.25 million to the result of which \$0.21 million represented the 2008-2010 consulting fees.

Revenues increased slightly to \$15.522 million compared with last years \$15.147 million. After adjusting \$0.6 million for the termination of the Castlemaine agreement in 2005/06, and \$0.248 million for the termination of the Murphy consulting agreement in the current year, the revised 2006 revenues are \$14.547 million compared to \$15.274 million for the current year which is an increase of 5%. The result is attributable mainly to improved revenues at the Ashmore Tavern with an increase of \$1.082 million compared to the prior year, and representing growth of 9.2% predominantly due to the review and relaunch of the Liquor Barn operation.

Other income decreased by \$1.8 million from \$3.851 million in 2005/06 to \$2.051 million in the current year. Included in the 2005-06 result was profit on sale of Sunnybank shopping centre \$2.586 million, and fair value adjustment on investment properties due to revaluations of a further \$1.265 million, as compared to the fair value adjustment on investment properties due to revaluations \$2.0 million reported for the current year.

Expenses increased by \$1.117 million from \$13 million in 2005/06 to \$14.116 million for 2006/07. Increased turnover at the Ashmore Tavern resulted in additional cost of sales \$1.033 million, and contributed to higher employee expenses \$0.298 million, which was offset by the \$0.238 million reduction in finance costs.



While the 2006/07 profit was lower than the prior year result, net assets as at 30 June 2007 have increased 17.6% from \$23.238 million to \$27.279 million - growing from 27.6 cents per share to 32.3 cents per share during the 12 month period.

Over the past 4 years the performance of Eumundi Group has been conservative but also consistently favourable. The dark days of trading losses and diminishing assets are hopefully over and the Board, working with management, are focussing on a stronger and brighter future. The business we have now is capable of delivering substantial growth in the coming years with tangible assets providing both a strong cash flow and capital improvement.

SUBSEQUENT EVENTS

The Company has made seven announcements subsequent to the end of the year under report, which included the acquisition of 90% interest in Keendove Pty Ltd, the discontinued Honeycombe Property Group acquisition discussions, and the increase in Directors shareholdings.

FUTURE DIRECTION

The future for the Eumundi Group promises to be both challenging and exciting.

The Ashmore tavern is refining its discount liquor retail strategies to maintain and further build market share while enhancing profitability from gross margin improvement and continued cost management initiatives. The tavern remains competitive through continued access to the Weller Group Hotels liquor buying group and we are confident that management and staff of the Ashmore Tavern will once again deliver a good result despite significant local competition from high profile nationals such as First Choice and Dan Murphy's.

Eumundi Group has the expertise between the CEO, CFO and Board of Directors to aggressively pursue property based transactions, with a particular emphasis on retail acquisitions and development.

Our existing property holdings are under constant review and exploration for possible redevelopment and improvement continues. The commercial and retail property sector remains highly competitive, with wholesale property funds and property trusts dominating the investment market. As a result, demand for retail and commercial property continues to strengthen and the yields tighten. The Board will not hesitate to take advantage of opportunities to trade assets where the offer will significantly improve the financial position of the group.

Through our network of industry contacts, and in liaison with current and potential clients, we are actively searching for mutually desirable strategic acquisitions. We will continue to pursue centres that may have been neglected or over looked for improvement and redevelopment, particularly those with a proven anchor tenant upon which the balance of development can be grown. We are expanding our geographic cover to include growing coastal and regional centres as well as metropolitan growth areas.

The retail and commercial property sector is strong and will continue to deliver healthy returns to its investors provided a solid anchor tenant is properly secured. Our aim is to build further upon our diverse portfolio of good quality retail and commercial properties with high occupancy demand to ensure a strong and reliable future cash flow, and capital growth.

CONCLUSION

With another year of sound performance behind us and a substantial tangible asset position achieved, the Directors look forward to the 2007/08 year with great confidence.

The 2006/07 year was a year of consolidation and growth with the acquisition of two new investment properties and the Banksia Beach Shopping Centre redevelopment going to tender while the Company was navigating through the distractions of the failed Axiom takeover bid, and discontinued negotiations with Honeycombe Property Group.

The Directors are committed to the continued growth of the Company through investment both in the existing sectors and other areas where synergies are achievable such as the recent investment in Keendove Holdings. The majority acquisition of this successful property management company broadens the Group's opportunities within the highly active and lucrative property sector, complementing the existing investment property holdings while reducing risk to shareholders through diversification within the property market.

The Company continues to strengthen financially, with net assets improving by a further 17.6% in the past 12 months, adding to our pool of quality income producing assets while maintaining a conservative debt position. With an existing debt level of only 54% of property

assets, Eumundi has the financial capacity to respond quickly to appropriate opportunities within the property and hotel markets, and will consider other opportunities where the appropriate skills exist within the company to do so effectively.

As growth remains the priority, the Directors do not consider it appropriate to consider the payment of a dividend at this time with continued priority given to further building the Company's asset backing and ensure financial flexibility for acquisitions. We still have available tax losses of \$749,000 from the brewing operations which we will take up against the profits from future years, and we have franking credits of \$480,000 to enable payment of a fully franked dividend to shareholders. As previously indicated, once these tax losses have been utilised, and the company has built up a credible asset base, the payment of dividends will appear on the agenda.

The Board of Directors would like to thank all of our loyal and hard working staff but in particular Iain Thomson, our CEO, Suzanne Jacobi Lee, our CFO and Jason Morphet, Manager of the Ashmore Tavern. We would also like to welcome aboard Michael Punch and his staff at Punch Joseph and Associates and anticipate the opportunities that our alliance brings.

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



J M Ganim
Chairman
27 September 2007

CHIEF EXECUTIVE OFFICER'S REPORT - REVIEW OF OPERATIONS AND ACTIVITIES

The group's investments have performed well over the reporting year and since the last Annual General Meeting we have concluded the addition of two (2) new investment properties to the portfolio, being Aspley Arcade Shopping Centre and the standalone IGA supermarket at Home Hill, North Queensland, as well as having acquired a 90% interest in the established property management business of Punch Joseph & Associates.

Shopping Centres:

Aspley Central (excluding Tavern and Bottle Shop) returned a net profit before owner's expenses of \$899,000 up 8.3% (\$69,000) on the prior year.

This centre remains fully leased with a number of quality national tenants such as Pizza Hut, Cold Rock Ice Cream, Brumby's Bakeries and LJ Hooker together with a strong mix of long standing local businesses such as a 24 hour newsagent, large pharmacy, bottle shop, coffee shops and restaurants.

During the year successful negotiations were completed with the renewal of 4 leases to existing tenants while discussions are near completion with another of our major tenants.

Aspley Arcade Shopping Centre

On 29 June 2007, we achieved a much anticipated goal by purchasing the Aspley Arcade Shopping Centre. This was a strategic acquisition, firstly as Aspley Arcade adjoins our existing holding, Aspley Central Shopping Centre and secondly due to its strong rental growth potential, providing for solid annual growth in the short to mid term future.

Aspley Arcade Shopping Centre is situated over two separate titles and has an aggregate site area of approximately 7,975 m². The two properties comprise two freestanding retail convenience centres that are currently divided into 19 separate tenancies having a total net lettable area of 2,219 m². The larger of the two centres accommodates 12 tenants and the smaller centre accommodates an additional 7 separate tenants. The centre is fully leased and historically has had a low vacancy factor.

The Centre also boasts a strong tenancy mix with national traders, such as Westpac, ANZ, Liquorland, Video 2000 and Subway, in addition it has a good mix of local service and food uses, such as a Pharmacy, Medical Centre, Physio, Optometrist, Real Estate, Butcher and Hairdresser to name a few. The diverse tenancy mix of the combined centres further enhances the quality of these centres as a one stop shopping destination.

Aspley Arcade was a very important and strategic acquisition for the group, in that the centre is, significantly, contiguous to the groups existing Aspley Central Shopping Centre. The combined land area of these two properties is approximately 15,158 m², a massive site considering the strategic location and frontage afforded these combines sites on a major arterial such as Gympie Road, as well as their central position in one of Brisbane north's premier retail & commercial precincts.

Aspley Arcade was acquired on an initial yield of 6.8%, with a number of significant rental reviews and lease renewal since acquisition. The capital value of the centre will continue to be further enhanced over the next 2 -3 years.

Banksia Beach Shopping Village

The Banksia Beach property has returned a net profit before Owner's expenses of \$439,000 an increase of \$204,000 compared to the prior year, as the property was not owned for the full year having been acquired in November 2005.

As announced at last years Annual General Meeting, it was proposed that the existing centre would be redeveloped, with an anticipated completion date of March/April 2008, unfortunately due to delays out of the groups control, the anticipated completion date of the centre has been delayed by some 3 months. We are pleased to announce that we have now taken the construction to Tender. The Tender process is scheduled to be concluded by 8 October 2007, the successful candidate party determined and contracted by October month end and, barring any delays, the appointed builder will be on site by mid to late November 2007.

The redevelopment will comprise an expanded IGA supermarket of approximately 2,700m², (an increase in gross floor area of approximately 1,004 m²), an additional 730 m² of new specialty shops, 2 ATM's and an additional 160 car parking spaces. Upon completion the Banksia project will provide a total gross floor area of 4,340 m² and 323 car parking spaces, with a projected total rent increase from \$547,000 per annum to approximately \$1.1 million per annum. The centre will be the Island's second largest retail shopping centre, exceeded only by the Bribie Island Shopping centre, which is anchored by a Woolworths Supermarket and Kmart Discount Department Store.

The existing centre has a good tenancy mix, inclusive of Pharmacy, newsagency, bottle shop (Liquorland), bakery, fashion, hairdresser and Chinese restaurant. We aim expand the current tenancy mix with the introduction of businesses such as a coffee shop, delicatessen, butcher, restaurants, additional food operators and ATM's.

The operators of the current supermarket, Cornett's are established operators of IGA supermarkets throughout Queensland holding more than 35 outlets. They are also a household name in region as Derek Cornett's first supermarket is still operating at Bongaree, on other side of the island. Cornett's are very excited about the proposed expansion to a full line supermarket and they will be expending significant capital to upgrade the existing store fit out to the new IGA flag ship store concept, inclusive of the only Lenard's chicken franchise on the island.

The Board are very excited about this project and when completed it will become a benchmark project in the group's growing portfolio of quality investments.

Home Hill:

On 11 January 2007, the Group acquired a stand-alone investment property in Home Hill, tenanted by Farry's IGA Supermarket, for \$1.45 million which equated to a yield of approximately 9.51% and included an additional 1,012m² of land immediately adjoining the existing building, providing opportunity for future expansion.

We are presently in discussions with the tenants, operators of this business for more than 15 years, who have expressed a desire to expand the existing store from 800 m² up to 1,500 m² as they believe that the region is ready for the services of a full line supermarket albeit on a smaller scale.

Ashmore Tavern:

The Ashmore Tavern (which includes its 3 detached bottle shops) achieved net profit from operations (before tax) of \$1.473 million for 2006/07 year an improvement of \$273,000 on the \$1.2 million recorded for the same period last year.

The liquor retailing business continues to be highly competitive, with national supermarket chains further expanding into this market. In response to this threat the Ashmore Liquor Barn was reviewed and repositioned to counter this threat. The result was very positive with total sales revenue of all bottle shops, liquor barn, and bars at the tavern (\$8.9 million) up \$1.2 million (15.6%) on the prior years result, although margins were down also.

In addition, the detached bottle shop at Bronberg Plaza is currently being relocated with the present centre to increase the floor space, and providing an opportunity to upgraded the fit-

out to a higher quality standard. The expanded store is anticipated to reopen in mid October 2007.

Reviews of the tavern's bar facilities and operations are underway to maximise patronage by continuing to provide a quality venue for our patrons.

Gaming revenues remain strong with the venue ranked 6th in Queensland in spite of the staged implementation of anti-smoking legislation which took place between 1st July 2005 (restricted smoking indoors) and 1st July 2006 (full ban on indoor smoking). In anticipation of the legislation, works had been completed to provide a suitable designated outdoor smoking area (DOSA) which minimised the severity and duration of the impact on gaming. As a result, while some venues reported substantial negative impacts on gaming income, the impact was only a 1.6% decrease in gaming revenues in 2006-07, having achieved a slight increase 1.4% between 2004-05 to 2005-06.

Punch Joseph & Associates:

On 3rd July 2007 we acquired a majority shareholding in Keendove Holdings Pty Ltd, trading as Punch Joseph & Associates. Punch Joseph and Associates has been in operation for 17 years as an independent property management and advisory company. Punch Joseph & Associates currently has 8 staff and a portfolio of 44 properties under management, with trust account turnover from more than 250 tenants in excess of \$40,000,000 annually.

The properties under management predominately comprise CBD & fringe commercial buildings and suburban retail shopping centres.

Future Direction:

Our portfolio of high quality assets will continue to grow through acquisitions such as Home Hill and the Aspley Arcade Shopping Centres, and through value adding initiatives such as the forthcoming redevelopment of Banksia Beach Shopping Village

Conscious of the precarious position from which we have emerged, we will not engage in competition with larger institutions and/ or developers on high risk projects, targeting off market opportunities wherever possible.

Our fundamental view of the future direction of this company has not altered from previous years. We are of the belief that both the retail and commercial property sectors in Queensland are still very strong, and the competition provides both opportunity and challenge.

The future for Eumundi Group is positive, and having made some real progress in the past 15 months, I look forward to the year ahead.

ID Thomson
Chief Executive Officer

27 September 2007



Directors' report

In respect of the financial year ended 30 June 2007, the directors of Eumundi Group Limited submit the following report:

Directors

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

J M Ganim
G De Luca
V A Wills

Principal activities

The principal activities of the consolidated entity during the year consisted of:

- (a) the operation of the Ashmore Tavern; and
- (b) the holding of investment properties.

In January 2007 a shopping centre was purchased at Home Hill, North Queensland, and in June 2007 the Aspley Arcade shopping centre was acquired. There was no other significant change in principal activities during the year.

Dividends – Eumundi Group Limited

No dividend was paid or declared by the company during or since the end of financial year ended 30 June 2007 (2006: \$nil).

Review of operations

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

- (a) Eumundi Group has delivered a net profit after tax of \$2.427 million (\$3.457 million before tax) compared with \$4.211 million after tax (\$5,999 million before tax) for the corresponding period in 2006. The current year result includes proceeds attributable to the early termination of the Murphy Hotel Management Consulting Agreement, and continued positive performance from existing operations, as well as costs relating to the acquisition of investment properties at Home Hill and Aspley. The prior year result included the profit on sale of the Sunnybank Hills shopping centre and the termination of the Castlemaine licence agreement.
- (b) Revenues of \$15.522 million represent an increase of \$0.375 million in comparison to last year predominantly due to increased turnover from hotel operations.
- (c) Other income of \$2.051 million represents a decrease of \$1.800 million over the prior reporting period with fair value increments on the investment properties (\$2.048 million) included in the current year and the gain on sale of Sunnybank shopping centre (\$2.586 million) and fair value increments on the investment properties (\$1.265 million) included in the prior year.
- (d) Expenses for the year were \$14.116 million as compared to \$13 million for the corresponding period in 2006. Of the increase, \$1.033 million relates to increased hotel cost of sales.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- (a) Purchase of Home Hill retail investment property for \$1,450,000 in January 2007.
- (b) Purchase of Aspley Arcade Shopping Centre for \$13,000,000 in June 2007.
- (c) Early termination of the Murphy Hotel Consulting Agreement (2006) resulted in the early receipt of consulting revenues of \$248,000.

Matters subsequent to the end of the financial year

On 3 July 2007 Eumundi Group Limited acquired 90% of the issued shares in Keendove Holdings Pty Ltd, a property management and advisory company, for consideration of \$1,320,000 consisting of cash of \$1,000,000, 912,225 ordinary shares in Eumundi Group Limited, and direct costs relating to the acquisition of \$33,000. Eumundi Group Shares issued are subject to an escrow period of three years.

A retention amount of \$200,000 has been withheld from the cash component of the purchase price. The final amount payable to the vendor is contingent upon the retention of management rights over the six months following purchase, and is payable by 31 January 2008. The minimum cash component of the acquisition is therefore \$800,000 and the maximum approximately \$1,000,000.

Eumundi Group has an option (expiring 30 September 2010) to purchase the remaining 10% of shares in Keendove Holdings Pty Ltd at any time before expiry of the option with the purchase consideration being ordinary shares in Eumundi Group Limited. The consideration amount varies subject to KPI's being achieved by the General Manager of the entity. If Eumundi Group does not exercise their option, the vendor has an option to sell the remaining shares to Eumundi Group between 1 and 31 October 2010, the consideration being 453,651 ordinary shares in Eumundi Group Limited.

Likely developments and expected results of operations

The likely developments and expected results of operations have been outlined in the Chairman's Address.

- Redevelopment of Banksia Beach Shopping Centre is targeted for completion in the 2007/08 year.
- Eumundi Group will continue to search for appropriate investment opportunities to expand and further improve our asset portfolio.

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

Environmental regulation

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

Information on directors**Joseph Michael Ganim – Non-executive chairman**

Mr Ganim is a founding partner of Messrs Hopgood Ganim, Solicitors and Notary, a leading Brisbane law firm. He is also a Notary Public. He graduated from the University of Queensland with a Bachelor of Laws degree in 1970, and is a solicitor of the Supreme Court of Queensland and the High Court of Australia. Mr Ganim joined the board as a non-executive director in 1989. Mr Ganim is also a Director (since October 2002) and Audit Committee Chairman of Dark Blue Sea Limited, a company listed on ASX.

Special Responsibilities:

Chairman
Member of the Audit Committee

Gilbert De Luca – Non-executive director

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

Special Responsibilities:

Member of the Audit Committee

Vernon Alan Wills – Non-executive director

Mr Wills is chairman of Operating Entities for Enhance Group which includes Enhance Management Pty Ltd, a leading market research firm, Enhance Corporate, a corporate advisory company; Enhance Capital, a private investment company; and Enhance Media & Communications. Currently Mr. Wills is also Chairman of the ASX listed company Dark Blue Sea Limited of which he has been a director since October 2002, Deputy Chair of the Queensland Government's Major Sports Facilities Authority, Director of Telecorp Ltd and Director of the Greg Norman Golf Foundation.

Special Responsibilities:

Chairman of the Audit Committee.

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

Interests of directors

<i>Names of Directors</i>	<i>Ordinary Shares</i>	<i>Options</i>
J M Ganim	14,843,773	-
G De Luca	7,982,311	-
V A Wills	-	-

Directors' report (continued)

Information on company secretary

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

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings	
	Meetings held during the period whilst holding office	Meetings attended	Meetings held during the period whilst holding office	Meetings attended
J M Ganim	9	9	3	3
G De Luca	9	9	3	3
V A Wills	9	9	3	3

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

Remuneration report

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

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

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

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

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

Executives

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

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

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

Non-executive directors

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

Directors' report (continued)

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of Eumundi Group Limited and each of the key management personnel of the company and the consolidated entity who received the highest remuneration for the year ended 30 June 2007 are set out in the following tables.

	Short Term Cash salary and fees \$	Employee Cash Bonuses \$	Benefits Non-cash benefits \$	Post- employ- ment Benefits Super- annuation \$	Share- based Payment Options \$	Total \$
2007						
<i>Directors</i>						
J M Ganim (Chairman – Non-executive)	47,523	-	-	4,277	-	51,800
G De Luca (Non-executive)	32,936	-	-	2,964	-	35,900
V A Wills (Non-executive)	40,000	-	-	-	-	40,000
Total	120,459	-	-	7,241	-	127,700
<i>Other Key Management Personnel</i>						
I Thomson (Chief Executive Officer)	154,312	20,000	3,947	15,688	-	193,947
L Stanley (Company Secretary)	15,000	-	-	-	-	15,000
S Jacobi-Lee (Chief Financial Officer)	136,850	-	-	12,317	-	149,167
Total	306,162	20,000	3,947	28,005	-	358,114
2006						
<i>Directors</i>						
J M Ganim (Chairman – Non-executive)	40,000	-	-	3,600	-	43,600
G De Luca (Non-executive)	20,000	-	-	1,800	-	21,800
V A Wills (Non-executive)	30,000	-	-	-	-	30,000
Total	90,000	-	-	5,400	-	95,400
<i>Other Key Management Personnel</i>						
I Thomson (3) (Chief Executive Officer)	14,155	-	-	1,012	-	15,167
A Moffat (1) (Chief Executive Officer)	173,658	-	2,744	10,424	-	186,826
L Stanley (Company Secretary)	15,000	-	-	-	-	15,000
S Jacobi-Lee (2) (Chief Financial Officer)	64,094	-	-	5,563	-	69,657
Total	266,907	-	2,744	16,999	-	286,650

(1) A Moffat was appointed chief executive officer on 1 June 2005 and resigned on 21 April 2006

(2) S Jacobi-Lee was appointed as chief financial officer on 16 January 2006

(3) I Thomson was appointed as chief executive officer on 1 June 2006

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

A bonus of \$20,000 was paid to Mr Thomson during the current year. There were no other bonuses paid during the current or prior year and no part of current remuneration was linked to performance.

C. Service agreements

I Thomson (Chief Executive Officer)

Mr Thomson receives a salary package of \$170,000 pa inclusive of superannuation, and 1 months notice is required in the event of termination. Mr Thomson is engaged under a letter of appointment.

L Stanley (Company Secretary)

Ms Stanley is paid for company secretarial and accounting services through a partnership of which she is a member based on normal commercial terms and conditions.

S Jacobi-Lee (Chief Financial Officer)

Ms Jacobi-Lee receives a salary package of \$160,000 pa inclusive of superannuation, and 1 months notice is required in the event of termination. Ms Jacobi-Lee is engaged under a letter of appointment.

Directors' report (continued)

D. Share-based compensation

There have been no share based payment benefits, vested or exercised, granted as compensation during the year (2006: nil).

Shares under option

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

Shares issued on exercise of options

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

Insurance of officers

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non-audit services

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

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

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	Consolidated	
	2007	2006
	\$	\$
Johnston Rorke (current auditor)		
Audit services	45,000	52,500
Due diligence services	49,800	-
Property trust advice	-	1,500
IFRS accounting services	-	10,000
Taxation compliance services	12,200	12,750
Total remuneration – Johnston Rorke	107,000	76,750

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

Directors' report (continued)

Rounding of amounts

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

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



J M Ganim
Director

Dated at Brisbane this 27th day of September 2007.

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

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Eumundi Group Limited for the financial year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

JOHNSTON RORKE
Chartered Accountants



K. A. HAIDUK
Partner

Brisbane, Queensland
27 September 2007

Corporate governance statement

This statement and information identified therein is available on the Company's website at www.eumundi-ltd.com.au under the Company Policies and Charters section.

Introduction

The Board has embraced the Australian Securities Exchange's "Principles of Good Corporate Governance & Best Practice Recommendations" ("ASX Guidelines") and has corporate governance practices in keeping with today's shareholder expectations, but tailored to suit the Company given its size and scope of operations.

These practices, which are outlined in this Statement, have been in place for a number of years. To assist with adherence to the practices the Board has a Committee responsible for Auditing and Risk Management and has documented a number of policy statements and charters including:

- Board Charter
- Audit and Risk Committee Charter
- Code of Conduct
- Directors Ethics Policy.

These documents, together with other relevant information on corporate governance including that recommended under the ASX Guidelines, have been made available on the Company's website: www.eumundi-ltd.com.au.

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

In this Statement the Board outlines the practices it has introduced and how, and the extent to which, they follow the ASX Guidelines.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recognise and publish the respective roles and responsibilities of Board and management

Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management.

The Board has overall responsibility for the business of the Company and is accountable to shareholders for the Company's performance. Its responsibilities include:

- review and approval of corporate strategies and budgets
- overseeing and monitoring performance and the achievement of the Company's strategic goals and objectives
- establishing appropriate policies and mechanisms to ensure both corporate and legal compliance
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation.

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

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

Recommendation 2.1: A majority of the Board should be independent Directors.

In the 2007 year the Company did not comply fully with this recommendation. At the present time the Board is comprised of all Non-Executive Directors, one of whom is an Independent Director. For each Director, his qualifications, experience, special responsibilities, term in office and attendances at Board meetings are detailed in the Directors' Report. The Board believes it brings a wealth of relevant practical experience to the Company and they all have a significant vested interest in ensuring proper governance.

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

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

- the interest is fully disclosed and the disclosure is recorded
- the relevant Director is excluded from all considerations of the matter by the Board, unless the other Directors unanimously otherwise decide.

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

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

Recommendation 2.2: The Chairperson should be an independent director.

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

Ultimately shareholders will determine if the current mix of Directors and the position of Chairperson is unacceptable.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Company complies with this recommendation; Chief Executive Officer Mr I Thomson is not an Executive Director.

Recommendation 2.4: The Board should establish a nomination committee.

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Actively promote ethical and responsible decision-making

Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the Company's integrity;

3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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

The Company has a formal Corporate Ethics Policy for Directors, setting out the obligations of the Board in relation to trading in the Company's shares, continuous disclosure, fiduciary duties, related party transactions, integrity of accounts and risk management. The Code of Conduct addresses trading in the Company's shares as well as other ethical issues and responsibilities and whereby this covers Directors, all employees and significant external managers.

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

The Corporate Ethics Policy for Directors and the Code of Conduct are available on the Company's website.

Recommendation 3.2: Disclose the policy concerning trading in Company securities by Directors, officers and employees.

The Board has written guidelines, set out in the Corporate Ethics Policy and Code of Conduct that restrict dealings by all Directors and employees in the Company's shares and provides an understanding of insider trading and issues relative to price-sensitive information.

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

These guidelines, contained in the Corporate Ethics Policy and Code of Conduct, are published on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Have a structure to independently verify and safeguard the integrity of the Company's financial reporting

Recommendation 4.1: Require the Chief Executive Officer and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

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

Recommendation 4.2: The Board should establish an Audit Committee.

The Company has an Audit and Risk Management Committee and the number of meetings of the Committee held during the 2007 year is set out in the Directors' Report.

Recommendation 4.3: Structure the Audit Committee so that it consists of:

- majority non-executive Directors
- a majority of independent Directors
- an independent Chairperson, who is not Chairperson of the Board
- at least three members.

In 2007 the Committee comprised Mr. V.A. Wills, Mr. J.M. Ganim and Mr G. De Luca. Audit Committee meetings are attended, by invitation, by the engagement partner (or his nominee) from the Company's external Auditor and such other senior staff or professional people as may be appropriate from time to time.

Recommendation 4.4: The Audit Committee should have a formal Charter.

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

The external Auditor, Johnston Rorke, has declared its independence to the Board and has confirmed Audit partner will be rotated every few years. The Committee has examined material provided by the external Auditor and is satisfied that the standards for auditor independence and associated issues are complied with.

On account of the small size of the Board this Charter also extends to risk management and compliance. The Audit and Risk Management Committee Charter is available on the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Promote timely and balanced disclosure of all material matters concerning the Company

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company has a written disclosure policy contained within the Directors' Corporate Ethics Policy titled the Company's Obligation of Disclosure that complies with the recommendation. This policy ensures that the Company complies not only with its obligations at law and under the ASX Listing Rules, but with best practice as it has evolved in recent years.

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

Authority to speak about the Company's affairs to the media, brokers, analysts or investors is restricted to the Chairman and Chief Executive Officer.

All Directors have obligations outlined in the Directors' Corporate Ethics Policy to keep the Company promptly informed of any personal or related interests in securities trading and contracts relevant to securities. The Company, in turn, promptly reports such trading to the ASX.

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Respect the rights of shareholders and facilitate the effective exercise of those rights

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

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

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

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

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

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

Recommendation 6.2: Request the external Auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

A copy of the AGM Notice is sent to the Company's external Auditor. The company has always carried out the practise of the current audit partner attending the AGM and being available to answer questions from shareholders about the audit. The Chairman reminds shareholders of this opportunity at the commencement of each AGM when introducing Board members, the Chief Executive Officer and the Auditor.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Establish a sound system of risk oversight and management and internal control

Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management.

The Company places a high priority on risk management and identification throughout the Group's operations and regularly reviews its adequacy. A risk control program has been developed which includes legislative compliance. On account of the small size of the Board the functions of Audit Committee and Risk Management Committee are combined and operate under the same Audit and Risk Management Committee Charter.

Recommendation 7.2: The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;

7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

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

For these reasons, and in view of its size, the Company relies on its management, under the control of the Board, to perform internal audit functions. This is done in regular consultation with, but independent of, the external Auditor. The Chief Executive Officer attends all Board meetings and meetings of the Audit and Risk Management Committee and provides appropriate reports.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Fairly review and actively encourage enhanced Board and management effectiveness

Recommendation 8.1: Disclose the process for performance evaluation of the Board, its Committees and individual Directors, and key executives.

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

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

For the Chief Executive Officer performance objectives are discussed in conjunction with successes and failures rather than taking place at specified assessment times.

The Company also complies with the ASX Guidelines' recommendations for Directors in relation to information access, independent professional advice and contact with the Chief Executive Officer and Company Secretary. The Chief Executive Officer and Company Secretary attend all Board meetings, are responsible for monitoring adherence to Board policy and procedures, and are accountable on all governance matters.

Compliance with this recommendation must be considered in the context of the size of the Company and compressed management structure. This lends itself to often daily contact between members of the Board and the Chief Executive Officer and between Board members themselves.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand:

- (i) the costs and benefits of those policies; and*
- (ii) the link between remuneration paid to Directors and key executives and corporate performance.*

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

The Board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure has two components; base pay and benefits such as superannuation and motor vehicle allowances. The employment agreements for service are on a term basis, the conditions of which might change in the immediate future (refer below for further information). Upon retirement the executives are paid employee benefit entitlements accrued to date of retirement.

Fees and payments to non-executive Directors reflect the financial status of the consolidated entity, and the demands that are made on, and the responsibilities of the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board within the limits approved by shareholders. The Company has never paid retirement allowances for non-executive Directors, which is in line with current guidance on non-executive remuneration.

The Company does not currently pay any equity-based executive remuneration to Directors, executives or senior managers.

Recommendation 9.2: The Board should establish a Remuneration Committee

Given the size of the Company and the number of Directors on the Board, it is not practical to establish a separate Remuneration Committee. It is reasonable that the Board be accountable for setting their own remuneration and that of senior executives where the above formal remuneration policy is available to shareholders.

Recommendation 9.3: Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.

The Board comprises entirely non-executive Directors whose remuneration is set out in the relevant section of the Annual Report. Details of the nature and amount of each element of the remuneration of each Director of the Company and the key management personnel of the Company are disclosed in the relevant section of the Annual Report. As outlined in the above remuneration policy there is no retirement benefit scheme for Directors other than payment of statutory superannuation.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

As outlined within the relevant section of the Annual Report the Company has provided option/equity-linked performance incentives in a previous period to its senior executive that is linked to the financial and operational performance of the company. Any variance to that which currently exists or any equity based remuneration payable to Directors would need to be approved by Shareholders at a General Meeting.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Recognise legal and other obligations to all legitimate stakeholders

Recommendation 10.1: Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has well-entrenched policies, systems and procedures, as well as a formal Code of Conduct (referred to under Principle 3), which seeks to promote throughout the Company, and in the areas in which it operates its businesses, a culture of compliance with legal requirements and ethical standards. A communication policy dealing with the recognition of the legitimate interests of shareholders is outlined in Principle 6.

The Board recognises that managing "natural, human, social and other forms of capital" as suggested in the ASX Guidelines may also assist in creating value for shareholders. To this end the Board seeks, by the individual contributions of Directors and by encouraging activities of its executives, to uphold community standards and to maintain good relations with community and government organisations. However, the Board seeks to balance these considerations in order to ensure that the claims of legitimate stakeholders do not prejudice or diminish the rightful expectations of its shareholders.

The Board does not support a process by which companies are regulated in their dealings in these areas, beyond the consideration of their programs to ensure compliance with legal and ethical standards and to demonstrate the Company's commitment to corporate practices appropriate to the business.

Income Statements
For the year ended 30 June 2007

	Notes	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	5	15,522	15,147	1,690	2,613
Other income	6	2,051	3,851	-	-
Expenses					
Purchase of inventories		(6,332)	(5,633)	-	-
Changes in inventories		(299)	35	-	-
Employee benefits expense		(1,893)	(1,595)	-	-
Depreciation and amortisation expense		(294)	(278)	-	-
Insurance		(79)	(80)	-	-
Operating lease rentals		(244)	(224)	-	-
Rates and taxes		(82)	(82)	-	-
Outgoings – investment properties		(583)	(601)	-	-
Management fee		(127)	(124)	-	-
Gaming machine tax		(1,456)	(1,502)	-	-
Finance costs		(1,290)	(1,528)	-	-
Other expenses		(1,437)	(1,387)	-	-
Total expenses	7	(14,116)	(12,999)	-	-
Profit before income tax expense		3,457	5,999	1,690	2,613
Income tax expense	8	(1,030)	(1,788)	-	-
Profit for the year		2,427	4,211	1,690	2,613
		Cents	Cents		
Basic earnings per share	36	2.88	4.99		
Diluted earnings per share	36	2.88	4.99		

The above income statements are to be read in conjunction with the attached notes.

Balance Sheets
As at 30 June 2007

	Notes	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	2,474	2,437	-	-
Trade and other receivables	10	313	279	-	-
Inventories	11	1,098	799	-	-
Available-for-sale financial assets	12	538	135	-	-
Other assets	13	85	126	-	-
TOTAL CURRENT ASSETS		4,508	3,776	-	-
NON-CURRENT ASSETS					
Other receivables	14	549	672	12,739	11,195
Available-for-sale financial assets	15	207	64	-	-
Other financial assets	16	-	-	4,587	4,587
Property, plant and equipment	17	13,616	11,833	-	-
Investment properties	18	44,912	27,300	-	-
Deferred tax assets	19	-	-	764	922
Intangible assets	20	85	87	-	-
TOTAL NON-CURRENT ASSETS		59,369	39,956	18,090	16,704
TOTAL ASSETS		63,877	43,732	18,090	16,704
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	21	1,619	1,103	-	-
Borrowings	22	800	834	-	-
Current tax liabilities		61	365	61	365
Provisions	23	141	145	-	-
TOTAL CURRENT LIABILITIES		2,621	2,447	61	365
NON-CURRENT LIABILITIES					
Borrowings	24	30,650	16,379	-	-
Deferred tax liabilities	25	3,309	1,653	-	-
Provisions	26	18	15	-	-
TOTAL NON-CURRENT LIABILITIES		33,977	18,047	-	-
TOTAL LIABILITIES		36,598	20,494	61	365
NET ASSETS		27,279	23,238	18,029	16,339
EQUITY					
Contributed equity	27	13,013	13,013	13,013	13,013
Reserves	28(a)	6,884	5,270	-	-
Retained profits	28(b)	7,382	4,955	5,016	3,326
TOTAL EQUITY		27,279	23,238	18,029	16,339

The above balance sheets are to be read in conjunction with the attached notes.

Statements of Changes in Equity
For the year ended 30 June 2007

	Notes	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year		23,238	18,532	16,339	13,726
Changes in the fair value of available-for-sale financial assets, net of tax	28(a)	383	66	-	-
Gain on revaluation of land and buildings, net of tax	28(a)	1,231	429	-	-
Net income recognised directly in equity		1,614	495	-	-
Profit for the year		2,427	4,211	1,690	2,613
Total recognised income and expense for the year		4,041	4,706	1,690	2,613
Total equity at the end of the financial year		27,279	23,238	18,029	16,339

The above statements of changes in equity are to be read in conjunction with the attached notes.

Cash Flow Statements
For the year ended 30 June 2007

	Notes	Consolidated		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		16,948	16,494	-	-
Payments to suppliers and employees		(13,910)	(12,814)	-	-
Interest received		74	87	-	-
Finance costs		(1,329)	(1,461)	-	-
Income tax paid		(369)	(48)	(369)	(48)
Receipts from other debtors		150	150	-	-
Net cash inflows/(outflows) from operating activities	35	<u>1,564</u>	<u>2,408</u>	<u>(369)</u>	<u>(48)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of investment properties	18	-	14,994	-	-
Payments for investment properties	18	(15,490)	(8,501)	-	-
Payments for property, plant & equipment	17	(344)	(270)	-	-
Proceeds from disposals of property, plant & equipment		31	-	-	-
Repayment of loans to controlled entities		-	-	369	48
Net cash inflows/(outflows) from investing activities		<u>(15,803)</u>	<u>6,223</u>	<u>369</u>	<u>48</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		16,660	-	-	-
Repayment of borrowings		(2,350)	(8,250)	-	-
Repayment of lease liabilities		-	(28)	-	-
Net cash inflows/(outflows) from financing activities		<u>14,310</u>	<u>(8,278)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		71	353	-	-
Cash and cash equivalents at beginning of year		<u>2,403</u>	<u>2,050</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	9	<u>2,474</u>	<u>2,403</u>	<u>-</u>	<u>-</u>

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

The above cash flow statements are to be read in conjunction with the attached notes.

Notes to the financial statements for the year ended 30 June 2007

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Eumundi Group Limited as an individual entity and the consolidated entity consisting of Eumundi Group Limited and its subsidiaries.

(a) Basis of Preparation

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Eumundi Group Limited comply with the International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

Historical cost convention

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

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

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

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

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1. Summary of Significant Accounting Policies (continued)

(d) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(e) Revenue Recognition

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

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

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

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

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

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1. Summary of Significant Accounting Policies (continued)

(f) Income Tax (continued)

Tax consolidation legislation

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

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

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

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

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

(g) Leases

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

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

(h) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

1. Summary of Significant Accounting Policies (continued)

(i) Impairment of Assets

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

(j) Cash and Cash Equivalents

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

(k) Trade and Other Receivables

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

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

(l) Inventories

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

(m) Investments and Other Financial Assets

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

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

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

1. Summary of Significant Accounting Policies (continued)

(m) Investments and Other Financial Assets (continued)

(iii) Available-for-sale financial assets

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

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

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

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

(n) Fair Value Estimation

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

(o) Property, Plant and Equipment

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit and loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to that asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The depreciation rates used for each class of depreciable asset are:

Buildings	2.5%
Plant and equipment	11-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in revaluation reserves in respect of those assets to retained earnings.

(p) Investment Property

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

(q) Intangible Assets

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

(r) Trade and Other Payables

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

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

1. Summary of Significant Accounting Policies (continued)

(s) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

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

(iv) Share-based payments

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

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of Significant Accounting Policies (continued)**(v) Earnings Per Share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at balance date.

(x) Financial guarantee contracts

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

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

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

Change in accounting policy

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the current financial year. In previous reporting periods a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract.

The change in policy was necessary following the change of AASB 139 *Financial Instruments: Recognition and Measurement* made by AASB 2005-9 *Amendments to Australian Accounting Standards* in September 2005. The new policy has been applied retrospectively. There were no adjustments required on adoption as the fair value of the financial guarantee was immaterial.

There was no tax impact as the initial recognition of the guarantees does not affect accounting profit or taxable income.

There was no impact on the consolidated financial statements of the Group or the earnings per share disclosed in note 36.

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of Amounts

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

1. Summary of Significant Accounting Policies (continued)

(aa) New Accounting Standards and Interpretations

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2007, are as follows:

Standard/Interpretation	Application date of standard*	Application date for the group*
AASB 2007-4 <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments</i>	1 July 2007	1 July 2007
AASB 2007-7 <i>Amendments to Australian Accounting Standards – June 2007</i>	1 July 2007	1 July 2007
AASB 7 <i>Financial Instruments: Disclosures</i>	1 January 2007	1 July 2007
AASB 8 <i>Operating Segments</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 <i>Presentation of Financial Statements</i> – revised standard	1 January 2007	1 July 2007
AASB 123 <i>Borrowing Costs</i> revised and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 November 2006	1 July 2007
Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>	1 March 2007	1 July 2007
Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2008	1 July 2008
Interpretation 13 <i>Customer Loyalty Programs</i>	1 July 2008	1 July 2008
Interpretation 14 <i>Limit on a defined benefit asset, Minimum Funding Requirements and their Interaction</i>	1 January 2008	1 July 2008

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

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company or the group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, does not affect either the company's or the group's previously reported results and, accordingly, there will be no impact on these financial statements on adoption of the Interpretation. The application of AASB 101 (revised), AASB 7, AASB 8, AASB 123, AASB 2007-7 and Interpretation 11 may change the disclosures presently made in relation to the company's and the group's assets, liabilities, segments, financial instruments and the objectives, policies and processes for managing capital. The circumstances addressed by Interpretations 12, 13, and 14 do not have application to the business of the company or the group.

(ab) General

This financial report covers both Eumundi Group Limited as an individual entity (parent entity) and the consolidated entity consisting of Eumundi Group Limited and its controlled entities.

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

Principal places of business:

- Ashmore Tavern, Cnr of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Level 15, 10 Market Street, Brisbane Qld 4000

Registered office:

- Level 8, 1 Eagle Street, Brisbane Qld 4000

2. Financial Risk Management

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

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

(a) Market risk

Foreign exchange risk

The Group has no foreign exchange risk.

Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. The Group is not exposed to commodity price risk.

Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

Credit risk represents the risk of counterparty default. The maximum credit risk exposure is represented by the carrying amount of assets in the balance sheet, net of any provisions for losses.

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

The Group had no significant concentrations of credit risk from any single debtor or group of debtors of balance date with the exception of an amount of \$665,000 (2006: \$778,000) included in other receivables disclosed in notes 10 and 14.

At balance date cash and deposits were held with the National Australia Bank.

(c) Liquidity risk

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

As at 30 June 2007, 2.5% of the Group's debt will be payable in the next 12 months (2006: 4.6%)

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are not materially exposed to changes in market interest rates.

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

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

3. Critical Accounting Estimates and Judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual related results.

The Group has investment properties with a carrying amount of \$44,912,000 (2006: \$27,300,000) and land and buildings (included in property, plant & equipment) with a carrying amount of \$13,000,000 (2006: \$11,250,000) representing estimated fair value. These carrying amounts are based upon independent valuations and on directors' valuations of the properties. The independent valuers form their estimates based on certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates, as well as taking into account sales of properties similar to those owned by the Group.

4. Segment Information

(a) Description of segments

Business segments

The Group operates predominantly in the following business segments:

Hotel operations - Operations comprise the operation of Ashmore Tavern.

Investment - Operations comprise investment in commercial properties.

Geographical segments

The Group operates predominantly in one geographic segment, being Australia.

(b) Primary reporting format – business segments

2007	Hotel Operations \$'000	Investment \$'000	Total \$'000
Revenue			
Sales to external customers	12,159	2,730	14,889
Other revenue/income	209	2,361*	2,570
Total segment revenue/income	12,368	5,091	17,459
Unallocated revenue			114
Total revenue/income			17,573
Results			
Segment results	1,138	4,508*	5,646
Unallocated revenue less unallocated expenses			(2,189)
Profit before income tax			3,457
Income tax expense			(1,030)
Profit for the year			2,427
Assets			
Segment assets	16,733	45,020	61,753
Unallocated assets			2,124
Total assets			63,877
Liabilities			
Segment liabilities	1,158	-	1,158
Unallocated liabilities			35,440
Total liabilities			36,598
Other segment information			
Acquisitions of property, plant and equipment, investment properties, intangibles and other non-current assets	340	15,490	15,830
Unallocated acquisitions			4
Total acquisitions			15,834
Depreciation and amortisation	283	-	283
Unallocated			11
Total depreciation and amortisation			294
Other non-cash expenses (other than depreciation and amortisation)	-	-	-

* includes fair value adjustment to investment properties \$2,048,000 and termination fee of \$248,000 (refer note 5)

4. Segment Information (continued)

(b) Primary reporting format – business segments (continued)	Hotel Operations	Investment	Total
2006	\$'000	\$'000	\$'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 5)

(c) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and Accounting Standard *AASB 114 Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets and investment properties, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include income taxes.

(d) Inter-segment sales/transfers

There are no material inter-segment sales/transactions.

Notes to the financial statements
for the year ended 30 June 2007
(continued)

5. Revenue

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sale of goods	8,908	7,774	-	-
Gaming revenue	3,251	3,303	-	-
Rental income and recoveries from investment properties	2,730	2,991	-	-
	14,889	14,068	-	-
Termination fees (a)	248	600	-	-
License fees	-	75	-	-
Interest	74	91	-	-
Imputed interest on long term receivable	37	43	-	-
Rent	3	4	-	-
Consulting fees	65	67	-	-
Commissions	138	129	-	-
Reversal of provision for non-recovery no longer required	-	-	1,690	2,613
Other	68	70	-	-
Total revenue	15,522	15,147	1,690	2,613

(a) Termination fees

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.

In April 2007 the consulting agreement with Murphy Hotel Management was terminated early. On termination the Group received a lump payment of \$248,000 in settlement of all future payments.

6. Other Income

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net gain on fair value adjustment – investment properties (note 18)	2,048	1,265	-	-
Net gain on disposal of plant and equipment	3	-	-	-
Net gain on disposal of investment property (note 18)	-	2,586	-	-
	2,051	3,851	-	-

7. Expenses

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit before income tax includes the following specific expenses:				
Cost of goods sold	6,631	5,598	-	-
Depreciation				
- Buildings	96	87	-	-
- Plant and equipment	196	173	-	-
- Plant and equipment under finance leases	-	16	-	-
Total depreciation	292	276	-	-
Amortisation – intangibles	2	2	-	-
Finance costs				
- Amortisation of loan establishment costs	49	57	-	-
- Interest and finance charges paid/payable	1,241	1,471	-	-
	1,290	1,528	-	-
Operating lease rentals – minimum lease payments	244	224	-	-
Defined contribution superannuation expense	165	135	-	-
Net loss on disposal of plant and equipment	-	45	-	-

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for the year ended 30 June 2007
(continued)

8. Income Tax Expense	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Income tax expense				
Current tax	208	1,166	(10)	(10)
Deferred tax	817	622	10	10
Adjustment for current tax of prior periods	5	-	-	-
	1,030	1,788	-	-
(b) Numerical reconciliation of income tax to prima facie tax payable is as follows:				
Profit before income tax expense	3,457	5,999	1,690	2,613
Income tax at the Australian tax rate of 30% (2006: 30%)	1,037	1,800	507	784
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	-	-	(507)	(784)
Sundry items	(7)	(12)	-	-
Income tax expense	1,030	1,788	-	-
(c) 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 debited/(credited) directly to equity	691	213	-	-

(d) Tax consolidation legislation

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

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

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

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

	Balance Sheet		Income Statement	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Consolidated				
Investment properties	(1,509)	(682)	827	655
Property, plant and equipment	(2,557)	(2,057)	(28)	(54)
Employee benefits	53	48	(5)	(10)
Accrued expenses	19	14	(5)	(4)
Sundry items	(64)	127	28	35
Tax losses	749	897	-	-
Net deferred tax liabilities	(3,309)	(1,653)		
Net deferred tax expense			817	622
Parent entity				
Sundry items	15	25	10	10
Tax losses	749	897	-	-
Net deferred tax assets	764	922		
Net deferred tax expense			10	10

Tax losses of \$148,000 (2006: \$801,000) were utilised to offset the current tax liability during the year.

8. Income Tax Expense (continued)

(f) Franking credits

	Parent Entity	
	2007	2006
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	480	413

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

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

9. Current Assets – Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	2,474	837	-	-
Deposits	-	1,600	-	-
	2,474	2,437	-	-

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 cash flow statements as follows:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balances as above	2,474	2,437	-	-
Bank overdraft (note 22)	-	(34)	-	-
Balances per cash flow statements	2,474	2,403	-	-

Deposits have an average maturity of 30 days. Refer note 37 for details relating to interest rates.

10. Current Assets – Trade and Other Receivables

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade receivables	89	16	-	-
Other receivables*	224	263	-	-
	313	279	-	-

* Refer to note 14

11. Current Assets – Inventories

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Finished goods – at cost	1,098	799	-	-

Notes to the financial statements
for the year ended 30 June 2007
(continued)

12. Current Assets – Available-for-sale Financial Assets	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in listed companies – at fair value	538	135	-	-
At beginning of year	135	-	-	-
Reclassification on adoption of AASB 132 and AASB 139	-	41	-	-
Fair value adjustment – transfer to equity	403	94	-	-
At end of year	538	135	-	-

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.

No adjustment was required for the parent entity.

13. Current Assets – Other Assets	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short term deposits	12	10	-	-
Prepayments	73	116	-	-
	85	126	-	-

14. Non-Current Assets – Other Receivables	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other receivables	549	672	-	-
Amounts owing from subsidiaries	-	-	17,657	17,803
Provision for non-recovery	-	-	(4,918)	(6,608)
	549	672	12,739	11,195

Other receivables

Other receivables includes amounts owing by Carlton and United Beverages Ltd of \$665,000 (2006: \$778,000), being the proceeds from termination of a brewing contract. The receivable will be settled by way of a further 5 (2006: 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.

Amounts owing from subsidiaries

During the year the parent entity reduced a provision for non-recovery of loans to a subsidiary by \$1,690,000 (2006: \$2,613,000). For further information relating to amounts owing from subsidiaries refer note 33.

15. Non-Current Assets – Available-for-sale Financial Assets	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unlisted securities - at fair value	207	64	-	-
At beginning of year	64	-	-	-
Reclassification on adoption of AASB 132 and AASB 139	-	64	-	-
Fair value adjustment – transfer to equity	143	-	-	-
At end of year	207	64	-	-

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. The carrying amount at 1 July 2005 equalled fair value.

No adjustment was required for the parent entity.

Notes to the financial statements

for the year ended 30 June 2007

(continued)

16. Non-Current Assets – Other Financial Assets	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in subsidiaries (unlisted)	-	-	4,587	4,587

Refer note 34 for details of subsidiaries.

17. Non-Current Assets – Property, Plant and Equipment

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 June 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
Year ended 30 June 2007					
Opening net book amount	7,500	3,750	583	-	11,833
Revaluation increment	1,500	259	-	-	1,759
Additions	-	87	257	-	344
Disposals	-	-	(28)	-	(28)
Depreciation charge	-	(96)	(196)	-	(292)
Closing net book amount	9,000	4,000	616	-	13,616
At 30 June 2007					
Cost or fair value	9,000	4,000	1,338	-	14,338
Accumulated depreciation	-	-	(722)	-	(722)
Net book amount	9,000	4,000	616	-	13,616

Parent Entity

The parent entity holds no property, plant and equipment.

17. Non-Current Assets – Property, Plant and Equipment (continued)

(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 2007 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 3 May 2007. 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 \$259,000 for buildings.

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.

(b) Non-Current assets pledged as security

Refer to note 24(a) for information on 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		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Freehold land				
Cost	3,026	3,026	-	-
Accumulated depreciation	-	-	-	-
Net book amount	3,026	3,026	-	-
Buildings				
Cost	1,363	1,276	-	-
Accumulated depreciation	(157)	(122)	-	-
Net book amount	1,215	1,154	-	-

Notes to the financial statements
for the year ended 30 June 2007
(continued)

18. Non-Current Assets – Investment Properties	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At fair value				
At beginning of year	27,300	29,770	-	-
Acquisition (c)	15,228	8,501	-	-
Capitalised subsequent expenditure	262	-	-	-
Straight line rentals	74	172	-	-
Disposal (d)	-	(12,408)	-	-
Net gain /(loss) from fair value adjustment	2,048	1,265	-	-
At end of year	44,912	27,300	-	-

(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 2007 revaluations for properties were based on independent assessments made by a member of the Australian Property Institute except as set out below.

Aspley Arcade Shopping Centre was acquired on 29 June 2007 for \$13 million plus acquisition costs. In May 2007 an independent valuation was carried out by CB Richard Ellis (registered property valuers) for finance purposes on behalf of the company's lender. The property was independently valued at market value at that date, based upon the capitalisation of net income, at \$12.5 million. Since the valuation, there have been market reviews of the rent paid by a number of tenants which were not taken into account by the independent valuer. The directors are of the opinion that the independent valuation, being for mortgage purposes, was conservative and considering the rental increases have determined the fair value of the property at time of purchase at \$13 million. On this basis the directors negotiated the purchase of this property in an arms length transaction at this amount.

In May 2007, an independent valuation was carried out by Trivett Property Group (registered property valuers) on the Banksia Beach Property which valued the property at \$9.3 million. In addition, costs totalling \$287,000 for the redevelopment of the property have been incurred to obtain additional building approvals. Based upon advice from the valuer, the directors have assessed the fair value of the property at 30 June 2007 to be \$9.587 million on the basis of that the independent valuation did not take into account the favourable town planning guidelines made available by securing the additional building approvals.

The 30 June 2006 revaluations were based on independent assessments made by a member of the Australian Property Institute.

Property	Acquisition Date	Purchase Price*	Valuation	
			2007	2006
		\$'000	\$'000	\$'000
Aspley Shopping Centre	March 2004	17,362	20,800	19,000
Banksia Beach Shopping Village	November 2005	7,925	9,587	8,300
Aspley Arcade Shopping Centre	29 June 2007	13,000	13,000	N/A
Home Hill Shopping Centre	12 January 2007	1,450	1,525	N/A
			44,912	27,300

* excluding acquisition costs

(b) Non-Current assets pledged as security

Refer to note 24(a) for information on assets pledged as security by the parent entity and its controlled entities.

(c) Acquisitions

In January 2007 the Group acquired an investment property at Home Hill plus an adjoining vacant land lot for \$1.45 million (being the purchase price) plus acquisition costs of approximately \$71,000.

In June 2007 the Group acquired the Aspley Arcade shopping centre for \$13 million (being the purchase price) plus acquisition costs of approximately \$707,000.

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.

Acquisition costs included stamp duty, legal fees, commissions and other ancillary costs.

18. Non-Current Assets – Investment Properties (continued)

(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 properties

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Rental income and recoveries from investment properties	2,730	2,991	-	-
Direct operating expenses from properties that generated rental income	(583)	(601)	-	-
	2,147	2,390	-	-

(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:

	3,391	2,175	-	-
Within one year				
Later than one year but not later than five years	8,741	6,660	-	-
Later than five years	3,844	3,241	-	-
Total	15,976	12,076	-	-

19. Non-Current Assets – Deferred Tax Assets

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net deferred tax assets (note 8)	-	-	764	922

20. Non-Current Assets – Intangible Assets

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Hotel Licences

At 1 July

Cost	104	104	-	-
Accumulated amortisation	(17)	(15)	-	-
Net book amount	87	89	-	-

Year Ended 30 June

Opening net book amount	87	89	-	-
Amortisation charge	(2)	(2)	-	-
Closing net book amount	85	87	-	-

At 30 June

Cost	104	104	-	-
Accumulated amortisation	(19)	(17)	-	-
Net book amount	85	87	-	-

21. Current Liabilities – Trade and Other Payables

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade payables	1,619	1,103	-	-

Notes to the financial statements
for the year ended 30 June 2007
(continued)

	Consolidated		Parent Entity	
	2007	2006	2007	2006
22. Current Liabilities – Borrowings	\$'000	\$'000	\$'000	\$'000
<i>Secured</i>				
Bank overdraft	-	34	-	-
Commercial bills	800	800	-	-
	<u>800</u>	<u>834</u>	<u>-</u>	<u>-</u>

Refer to note 24 for details regarding borrowings.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
23. Current Liabilities – Provisions	\$'000	\$'000	\$'000	\$'000
Employee benefits	<u>141</u>	<u>145</u>	<u>-</u>	<u>-</u>

24. Non-Current Liabilities – Borrowings

<i>Secured</i>				
Commercial bills	<u>30,650</u>	<u>16,379</u>	<u>-</u>	<u>-</u>

(a) Assets pledged as security

Bank overdraft and bills are wholly secured by way of:

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

As such all assets are pledged as security for borrowings.

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		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Credit standby arrangements				
Total facilities				
Bank overdraft	100	100	-	-
Finance lease liabilities	400	400	-	-
Commercial bill facility	32,700	18,950	-	-
	<u>33,200</u>	<u>19,450</u>	<u>-</u>	<u>-</u>
Used at balance date				
Bank overdraft	-	34	-	-
Finance lease liabilities	-	-	-	-
Commercial bill facility *	31,810	17,500	-	-
	<u>31,810</u>	<u>17,534</u>	<u>-</u>	<u>-</u>
Unused at balance date				
Bank overdraft	100	66	-	-
Finance lease liabilities	400	400	-	-
Commercial bill facility	890	1,450	-	-
	<u>1,390</u>	<u>1,916</u>	<u>-</u>	<u>-</u>

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

Bank overdraft

Standby funds provided by the Group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2006: \$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.

24. Non-Current Liabilities – Borrowings (continued)

Commercial bills

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

Amount Drawn (Face Value)		Interest Rate		Interest Type	Expiry Date	Repayment Terms
2007 \$'000	2006 \$'000	2007 %	2006 %			
14,200	15,000	6.8	7.1	Fixed	30/03/09	Quarterly principal payments of \$200,000
14,110	-	7.2	-	Variable	31/07/12	Interest only until expiry
3,500	2,500	7.2	7.0	Variable	31/07/08	Interest only until expiry
<u>31,810</u>	<u>17,500</u>					

Finance lease liabilities

The Group has a lease finance facility of \$400,000 (2006: \$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.

(c) Financial guarantees

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

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

25. Non-Current Liabilities – Deferred Tax Liabilities	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net deferred tax liabilities (note 8)	3,309	1,653	-	-

26. Non-Current Liabilities – Provisions	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits	18	15	-	-

27. Contributed Equity	Parent Entity		Parent Entity	
	2007 Number of Shares	2006 Number of Shares	2007 \$'000	2006 \$'000
Share capital				
Fully paid ordinary shares	84,331,609	84,331,609	13,013	13,013

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

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

There was no movement in share capital in the 2007 and 2006 financial years.

Options

As at 30 June 2007, there were no options to purchase ordinary shares in the parent entity (2006 – nil).

28. Reserves and Retained Profits/(Accumulated Losses)

(a) Reserves	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Available-for-sale asset revaluation reserve	449	66	-	-
Property, plant and equipment revaluation reserve	6,435	5,204	-	-
	6,884	5,270	-	-

Movements in reserves:

Property, plant and equipment revaluation reserve

Balance at the beginning of the year	5,204	4,775	-	-
Gain on revaluation of freehold land and buildings (net of tax) *	1,231	429	-	-
Balance at the end of the year	6,435	5,204	-	-

* Gross before tax - \$1,759,000 (2006 - \$613,000)

Available-for-sale asset revaluation reserve

Balance at the beginning of the year	66	-	-	-
Change in fair value of unlisted securities (net of tax) *	101	-	-	-
Change in fair value of listed securities (net of tax) **	282	66	-	-
Balance at the end of the year	449	66	-	-

* Gross before tax - \$143,000 (2006 - \$ nil)

** Gross before tax - \$403,000 (2006 - \$94,000)

(b) Retained Profits/(Accumulated Losses)	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retained profits/(accumulated losses) at the beginning of the year	4,955	744	3,326	713
Profit for the year	2,427	4,211	1,690	2,613
Transfer from asset revaluation reserve	-	-	-	-
Retained profits at the end of the year	7,382	4,955	5,016	3,326

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

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

(ii) Available-for-sale asset revaluation reserve

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

29. Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Eumundi Group Limited during the financial year:

Mr. J M Ganim	Chairman – Non-Executive
Mr. G De Luca	Non-Executive
Mr. V A Wills	Non-Executive

29. Key Management Personnel Disclosures (continued)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer Entity</i>
Mr I Thomson	Chief Executive Officer (appointed 1 June 2006)	Eumundi Property Group Pty Ltd
Ms S Jacobi-Lee	Chief Financial Officer (appointed 16 January 2006)	Eumundi Property Group Pty Ltd
Ms L Stanley	Company Secretary	Eumundi Property Group Pty Ltd
Mr A Moffat	Chief Executive Officer (resigned 21 April 2006)	Eumundi Property Group Pty Ltd

There were no other key management personnel during the 2007 and 2006 financial years.

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	450,568	359,651	450,568	359,651
Post-employment benefits	35,246	22,399	35,246	22,399
	485,814	382,050	485,814	382,050

The company has taken advantage of the relief provided by *Corporations Regulations 2001* and has transferred the detailed remuneration disclosures to the director's report. The relevant information can be found in sections A to D of the remuneration report in the directors' report.

(d) Equity instrument disclosures relating to key management personnel

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

There have been no share based payment compensation benefits granted, vested or exercised during the year (2006: nil).

(ii) Option holdings

There were no options over ordinary shares in the parent entity held by key management personnel during, or at the end of, the year (2006: nil).

29. Key Management Personnel Disclosures (continued)

(iii) Share holdings

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

	Balance at Start of Year or Date of Appointment	Granted as Compensation	On Exercise of Options	Net Change Other	Balance at End of Year
2007					
Directors					
J M Ganim	15,821,692	-	-	(352,519)*	15,469,173
G De Luca	8,496,711	-	-	-	8,496,711
V A Wills	-	-	-	-	-
Other key management personnel					
I Thomson	-	-	-	-	-
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-
2006					
Directors					
J M Ganim	15,821,692	-	-	-	15,821,692
G De Luca	8,496,711	-	-	-	8,496,711
V A Wills	16,857	-	-	(16,857)	-
Other key management personnel					
A Moffat	-	-	-	-	-
I Thomson	-	-	-	-	-
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-

- During 2007, J M Ganim ceased to be a trustee shareholder of a company which owns shares in Eumundi Group Limited.

(e) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year (2006: \$nil).

(f) Other transactions with key management personnel

Directors

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

29. Key Management Personnel Disclosures (continued)

Other key management personnel

Stanley Yeates & Associates, a firm of chartered accountants, of which L Stanley is a partner, provided accounting and administration services to the Group under normal commercial terms and conditions. The firm also provided office space for the use of the chief executive officer in 2006 prior to the move to new premises.

No other transactions were undertaken between the Group and key management personnel during 2006 and 2007 other than compensation as disclosed above.

	2007	2006
	\$	\$
Amounts recognised as expense		
Legal fees (JM Ganim)	122,390	61,347
Accounting and administration services (L Stanley)	-	55,685
Serviced offices (L Stanley)	-	18,750
	122,390	135,782
Amounts recognised as non-current assets		
Legal fees included in investment properties acquisition costs (JM Ganim)	37,865	19,143
Aggregate amounts receivable/payable arising from the above types of transactions		
Current receivables	-	-
Current trade payables	70,994	3,759

30. Auditor's Remuneration

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Audit services				
Audit and review of financial reports	45,000	52,500	45,000	52,500
	45,000	52,500	45,000	52,500
(b) Non-audit services				
Due diligence services	49,800	-	49,800	-
Tax compliance services	12,200	12,750	12,200	12,750
Property trust advice	-	1,500	-	1,500
IFRS accounting services	-	10,000	-	10,000
	62,000	24,250	62,000	24,250

In 2007 due diligence services comprised work performed in relation to the potential purchase of Keendove Holdings Pty Ltd and Honeycombe Property Group Pty Ltd.

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

31. Contingencies

Contingent liabilities

The parent entity has given a guarantee in respect of borrowings of a subsidiary totalling \$31,810,000 (2006: \$17,534,000). The borrowings are secured by a first mortgage over the subsidiaries assets.

The parent entity and Group had no other material contingent liabilities.

Contingent asset

The Group acquired a minority (23.3%) interest in Airlie Beach Lagoon Holding 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 have been in negotiations with the Queensland Government in respect of this matter.

32. Commitments

Operating leases

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:				
Within one year	154	157	-	-
Later than one year but not later than five years	183	155	-	-
	337	312	-	-

33. Related Party Transactions

(i) Parent entity

The ultimate parent entity is Eumundi Group Limited.

(ii) Subsidiaries

Interests in subsidiaries are set out in note 34.

(iii) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

(iv) Transactions with subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	
	2007	2006
	\$	\$
<i>Tax consolidation legislation</i>		
Current tax payable assumed from wholly-owned tax consolidated entities	218,680	1,174,340

(v) Loans to subsidiaries

	Parent Entity	
	2007	2006
	\$	\$
<i>Loans to subsidiaries</i>		
Beginning of the year	17,803,950	16,677,417
Loan repayments received	(365,166)	(47,807)
Current tax payable assumed	218,680	1,174,340
End of the year	<u>17,657,464</u>	<u>17,803,950</u>

The parent has provided for non-recovery of certain amounts owing by subsidiaries – refer note 14.

(vi) Guarantees

No material guarantees have been given by the parent entity or subsidiaries other than those disclosed in note 24.

(vii) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 8(d).

The parent entity has received, free of charge, administrative and accounting assistance from entities in the wholly-owned group during the current and/or previous financial years.

The loans to subsidiaries are interest free, unsecured and repayable in cash at call.

34. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding*		Carrying value of parent entity's investment	
			2007	2006	2007 \$'000	2006 \$'000
Eumundi Property Group Pty Ltd (formerly Eumundi Brewing Company Pty Ltd)	Australia	Ordinary	100%	100%	-	-
Eumundi Group Hotels Pty Ltd (formerly Imperial Hotel Eumundi Pty Ltd)	Australia	Ordinary	100%	100%	4,587	4,587
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%	-	-
					<u>4,587</u>	<u>4,587</u>

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

35. Reconciliation of Profit for the Year to Net Cash Flow from Operating Activities

	Consolidated		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit for the year	2,427	4,211	1,690	2,613
Depreciation and amortisation	294	278	-	-
Net (gain)/loss on disposal of property, plant and equipment	(3)	45	-	-
Straight line rental adjustment	(74)	(172)	-	-
Net (gain)/loss on fair value adjustment of investment properties	(2,048)	(1,265)	-	-
Net gain on disposal of Sunnybank Shopping Centre	-	(2,586)	-	-
Other	(76)	67	-	-
Reversal of provision for non-recovery no longer required	-	-	(1,690)	(2,613)
Changes in operating assets and liabilities (net of assets sold):				
(Increase)/decrease in:				
Trade receivables	(24)	18	-	-
Other receivables	150	24	(223)	446
Deferred tax asset	-	-	158	(811)
Inventories	(299)	(35)	-	-
Other current assets	41	(62)	-	-
Increase/(decrease) in:				
Trade and other payables	516	111	-	-
Income tax payable	(304)	317	(304)	317
Deferred tax liability*	965	1,424	-	-
Employee benefits	(1)	33	-	-
Cash flows from operating activities	<u>1,564</u>	<u>2,408</u>	<u>(369)</u>	<u>(48)</u>

* net of amounts recognised directly in equity

36. Earnings Per Share

	Consolidated	
	2007	2006
(a) Basic earnings per share		
Basic earnings per share	2.88¢	4.99¢
(b) Diluted earnings per share		
Diluted earnings per share	2.88¢	4.99¢
(c) Reconciliation of earnings used in calculating earnings per share		
	Consolidated	
	2007	2006
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculation of basic earnings per share	2,427	4,211
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculation of diluted earnings per share	2,427	4,211
(d) Weighted average number of shares used as the denominator		
	Number of Shares	
	2007	2006
Weighted average number of ordinary shares used in calculating basic earnings per share	84,331,609	84,331,609
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>84,331,609</u>	<u>84,331,609</u>

37. Financial Instruments

Interest rate risk exposure

Exposures of the Group to interest rate risks on financial assets and liabilities are summarised below.

2007	Weighted average interest rate %	Floating interest rate \$000	1 Yr or less \$000	Fixed interest rate maturing in:					Non-interest bearing \$000	Total \$000
				Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Cash and cash equivalents	4.4	2,347	-	-	-	-	-	-	127	2,474
Trade receivables	-	-	-	-	-	-	-	-	89	89
Other receivables	5.9	-	148	140	133	126	118	-	108	773
Available for sale financial assets	-	-	-	-	-	-	-	-	745	745
		<u>2,347</u>	<u>148</u>	<u>140</u>	<u>133</u>	<u>126</u>	<u>118</u>	<u>-</u>	<u>1,069</u>	<u>4,081</u>
Trade and other payables	-	-	-	-	-	-	-	-	1,619	1,619
Bills payable	7.0	17,456	800	13,194	-	-	-	-	-	31,450
		<u>17,456</u>	<u>800</u>	<u>13,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,619</u>	<u>33,069</u>

2006	Weighted average interest rate %	Floating interest rate \$000	1 Yr or less \$000	Fixed interest rate maturing in:					Non-interest bearing \$000	Total \$000
				Over 1 to 2 years \$000	Over 2 to 3 years \$000	Over 3 to 4 years \$000	Over 4 to 5 years \$000	Over 5 years \$000		
Cash and cash equivalents	7.7	2,290	-	-	-	-	-	-	147	2,437
Trade receivables	-	-	-	-	-	-	-	-	16	16
Other receivables	5.9	-	148	140	133	126	119	112	157	935
Available for sale financial assets	-	-	-	-	-	-	-	-	199	199
		<u>2,290</u>	<u>148</u>	<u>140</u>	<u>133</u>	<u>126</u>	<u>119</u>	<u>112</u>	<u>519</u>	<u>3,587</u>
Trade and other payables	-	-	-	-	-	-	-	-	1,103	1,103
Bank overdraft	7.3	34	-	-	-	-	-	-	-	34
Bills payable	7.0	2,478	800	800	13,101	-	-	-	-	17,179
		<u>2,512</u>	<u>800</u>	<u>800</u>	<u>13,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103</u>	<u>18,316</u>

Net fair value of financial assets and liabilities

The net fair value of financial assets and financial liabilities approximates their carrying values.

Derivative financial instruments

The Group does not normally use derivative financial instruments.

38. Subsequent Events

(a) Acquisition of Keendove Holdings Pty Ltd

On 3 July 2007 Eumundi Group Limited acquired 90% of the issued shares in Keendove Holdings Pty Ltd, a property management and advisory company, for consideration of \$1,320,000 consisting of cash of \$1,000,000, 912,225 ordinary shares in Eumundi Group Limited, and direct costs relating to the acquisition of \$33,000. Eumundi Group shares issued are subject to an escrow period of three years.

A retention amount of \$200,000 has been withheld from the cash component of the purchase price. The final amount payable to the vendor is contingent upon the retention of management rights over the six months following purchase, and is payable by 31 January 2008. The minimum cash component of the acquisition is therefore \$800,000 and the maximum approximately \$1,000,000.

Eumundi Group has an option (expiring 30 September 2010) to purchase the remaining 10% of shares in Keendove Holdings Pty Ltd at any time before expiry of the option with the purchase consideration being ordinary shares in Eumundi Group Limited. The consideration amount varies subject to KPI's being achieved by the General Manager of the entity. If Eumundi Group does not exercise their option, the vendor has an option to sell the remaining shares to Eumundi Group between 1 and 31 October 2010, the consideration being 453,651 ordinary shares in Eumundi Group Limited.

Details of net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	1,000
Issue of shares	287
Direct costs relating to the acquisition	33
Total purchase consideration	1,320
Fair value of net identifiable assets acquired (refer below)	1,320
Goodwill	-

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Fair Value \$'000	Acquiree's carrying amount \$'000
Cash and cash equivalents	106	106
Receivables	45	45
Property, plant and equipment	26	26
Intangibles - management rights	1,835	-
Deferred tax assets	26	26
Payables	(83)	(83)
Deferred tax liabilities	(404)	-
Employee benefit liabilities	(85)	(85)
Net assets	1,466	35
Minority interests	146	
Net identifiable assets acquired	1,320	

The initial accounting for the business combination has been determined provisionally as the fair values assigned to certain assets and liabilities have only been determined provisionally.

The financial effects of the above transaction have not been brought to account at 30 June 2007. The operating results and assets and liabilities of the acquired company will be consolidated from 3 July 2007.

Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes (including the remuneration disclosures that are contained in sections A to D of the remuneration report in the directors' report) are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; 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; and
- (c) the remuneration disclosures contained in sections A to D of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2007 required by section 295A of the *Corporations Act 2001*.

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



J M Ganim
Director

Dated at Brisbane this 27th day of September, 2007.

Independent auditor's report to the members of Eumundi Group Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Eumundi Group Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Eumundi Group Limited (the company) and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

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

Independence

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Eumundi Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

JOHNSTON RORKE
Chartered Accountants



K. A. HAIDUK
Partner

Brisbane, Queensland
27 September 2007

Shareholder information

The shareholder information below was applicable as at 25 September 2007.

A. Distribution of Equity Securities

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

Ordinary Shares	
1 – 1,000	131
1,001 – 5,000	546
5,001 – 10,000	270
10,001 – 100,000	276
100,001 and over	93
	1,316

There are 135 shareholders who hold less than a marketable parcel of ordinary shares in the company.

B. Equity security holders

Twenty largest quoted equity security holders

	Number held	Percentage
1. Axiom Properties Ltd	14,268,989	16.92
2. De Luca Group Superannuation Fund – De Luca Group Super Fund	6,204,792	7.36
3. Ganbros Pty Ltd	4,918,693	5.83
4. Ganboys Pty Ltd	4,730,190	5.61
5. Gansons Pty Ltd	3,868,490	4.59
6. Jalsea Pty Ltd	3,308,914	3.92
7. Deluca (Adm) Pty Ltd	1,777,519	2.11
8. RBC Dexia Investor Services Australia Nominees Pty Ltd	1,430,000	1.70
9. Archer Management Pty Ltd – Archer Super Fund	1,422,000	1.69
10. Mr. J M Ganim	1,326,400	1.57
11. Mrs. Tracy Fraser	1,189,430	1.41
12. Natpac Financial Services Pty Ltd - Robert Blann Superfund	1,158,932	1.37
13. Chriswell Pty Ltd – Christine Weller Family Account	1,107,681	1.31
14. Dreamtouch Pty Ltd – Brian Weller Family Account	1,107,681	1.31
15. Nipruma Pty Ltd – Kim Weller Family Account	1,107,681	1.31
16. Asset Custodian Nominees (Aust) Pty Ltd	944,204	1.12
17. Hatfree Pty Ltd - Freeman Super Fund	917,500	1.09
18. Bawden Custodians Pty Ltd Terton Corp P/L S/F	860,000	1.02
19. Atkone Pty Ltd	750,000	0.89
20. Ruminator Pty Ltd	750,000	0.89
Total	53,149,096	63.02

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Axiom Properties Ltd	14,268,989	16.92
De Luca Group Superannuation Fund	6,204,792	7.36
Ganbros Pty Ltd	4,918,693	5.83
Ganboys Pty Ltd	4,730,190	5.61

D. Voting rights

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

a) Ordinary Shares

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

b) Options

No voting rights.