Rule 4.3A

Appendix 4E

Preliminary Final Report
Period ending on or after 30 June 2005

EUMUNDI GROUP LIMITED
ACN 010 947 476

1. REPORTING PERIOD

The financial information contained in this report is for the year ended 30 June 2005.

Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2004.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			($'000)		($'000)
2.1	Revenues from ordinary activities	up	$6,745	to	$21,739
2.2	Profit (loss) from ordinary activities after tax attributable to members	up	$2,483	to	$1,647
2.3	Net Profit (loss) for the period attributable to members	up	$2,483	to	$1,647
2.4	Dividends	It is not proposed to pay a dividend with respect to Ordinary Shares			
2.5	Record date for determining entitlements to the final dividend	Not Applicable			
2.6	In 2004 / 05, the group recorded a profit of $2,206,000 which is an improvement of $3,042,000 over the 2003 / 04 reported loss of $836,000				

Discussion and analysis of results

Eumundi Group Limited has recorded a profit after tax of $1,647,000 for the year ended 30 June 2005. This reflects an increase in profit of $2,483,000 up from a loss of $836,000 for the prior year. The current year profit includes a gain on sale of the Imperial Hotel of $768,000. The prior year's loss included a write-down on valuation of $1,217,000 of the investment properties.

Revenue from ordinary activities of $21,739,000 represents an increase of 45% compared to $14,994,000 for the prior year. Current year revenue includes the proceeds from the sale of the Imperial Hotel of $4,475,000 which was sold on 24 January 2005. Excluding this item, revenue has increased $2,271,000 or 15%.

This improved result was attributable to the inclusion of a full year's earnings from the shopping centre investment properties at Sunnybank Hills and Aspley which were acquired in March 2004 and the improved earnings from the Ashmore Tavern, while only including 7 month's contribution from the Imperial Hotel up to the sale date.

In the current year earnings from liquor and gaming operations have been above budget and improved upon the gains outlined in the last Annual Report. Earnings from investment properties have also continued to strengthen as lessee incentives expire and rental reviews come into effect.

Expenses for the year were $19,533,000, an increase of 23% from $15,830,000 in the prior year. Current year expenses include $3,706,000 attributable to the sale of the Imperial Hotel, while in the prior year it included write-down on valuation on the investment properties of $1,217,000. Excluding these items, expenses have increased by $1,214,000 or 8%. This increase is largely attributable to the increase in gaming taxes generated from the increase in sales revenues, outgoings from the investment properties not directly recoverable from lessees and borrowing costs associated with borrowings used to acquire the investment properties in March 2004.

Financial Position

Net assets at 30 June 2005 were $18,222,000, an increase of 49% from $12,590,000 at 30 June 2004. This represents 21.5 cents per share at 30 June 2005 compared to 18.4 cents per share at 30 June 2004.

This increase is largely attributable to an increment on revaluation of $1,843,000 of the Ashmore Tavern land and buildings (based upon an independent valuation at 31 December 2004), equity raising of $2,142,000 (net) in July 2004 and the sale of the Imperial Hotel at a profit. The proceeds from the sale of the Imperial hotel and from the equity raising were used mainly to reduce the commercial bill borrowings by $6,500,000 down to $25,750,000 at 30 June 2005 from $32,250,000 at 30 June 2004.

Dividends

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

3. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 ($'000)	2004 ($'000)
Revenues from Ordinary Activities	3.1	21,739	14,994
Expenses from Ordinary Activities	3.2	(17,528)	(15,001)
Borrowing costs expense	3.3	(2,073)	(829)
Profit /(Loss) from ordinary activities before income tax expense		2,138	(836)
Income tax expense relating to ordinary activities	3.4	491	-
Net Profit / (Loss)		1,647	(836)

The above Statement of Financial Performance should be read in conjunction with the attached notes.

Notes to Statement of Financial Performance

3.1 REVENUES FROM ORDINARY ACTIVITIES

	Consolidated 2005 ($'000)	2004 ($'000)
Operating Revenue		
Sales of Goods	9,983	11,073
Gaming Revenue	3,428	2,615
Rental Income & Recoveries from Investment Properties	3,286	859
Royalties	1	35
License Fees	75	75
	16,773	14,657
Non-Operating Revenue		
Interest	77	32
Imputed Interest on long term receivable	71	53
Rent	47	71
Commission	141	148
Consideration Received on Sale of Imperial Hotel	4,474	-
Other	156	33
	4,966	337
	21,739	14,994

3.2 EXPENSES FROM ORDINARY ACTIVITIES

Classification of expenses by nature

	Consolidated 2005 ($'000)	2004 ($'000)
Purchase of inventories	6,899	8,181
Changes in inventories	423	(228)
Carrying Amount of Net Assets Sold – Imperial Hotel	3,706	-
Employee costs	2,073	2,332
Repairs & Maintenance	77	94
Decrement on revaluation of investment properties to fair value	-	1,217
Management fee	121	117
Gaming Machine Tax	1,535	1,147
Depreciation & Amortisation	314	339
Insurance	159	254
Operating Lease Rental	240	241
Rates & Taxes	102	109
Rental Outgoings	635	144
Other expenses from ordinary activities	1,244	1,054
	17,528	15,001

3.3 PROFIT FROM ORDINARY ACTIVITIES

Profit / (loss) from ordinary activities includes:

	Consolidated 2005 ($'000)	2004 ($'000)
Borrowing Costs		
- Lease finance charges	16	12
- Loan Establishment Costs Expenses	81	46
- Other persons/corporations	1,976	771
	2,073	829

3.4 INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the profit / (loss). The differences are reconciled as follows:

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Profit / (loss) from ordinary activities before income tax expense	2,138	(836)
Income tax calculated at 30% (2004: 30%)	641	(250)
Tax effect of permanent differences:		
- Decrement on revaluation of investment properties to fair value	-	365
- Additional tax on gain on sale of Imperial Hotel	248	-
- Building allowance (investment properties)	(271)	(93)
- Other Items	(25)	(16)
- Future income tax benefits recognised	(42)	-
- Prior year tax losses recouped	(60)	(6)
Income tax expense	491	-
Estimated future income tax benefit relating to tax losses and timing differences not booked	60	1,853

The consolidated entity is still investigating whether the carried forward tax losses are available to be offset against future assessable income. Given the movement in issued shares from June 2004, an exercise needs to be undertaken to ascertain whether the company satisfies the continuity of ownership test which is necessary to obtain the benefit of the tax losses. Until this exercise has been completed, the directors have adopted a conservative approach and assumed for the purposes of this report that the benefit of the tax losses are not available.

A future income tax benefit will be obtained if:

i. The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised
ii. The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation
iii. No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses

4. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	Consolidated 2005 ($'000)	2004 ($'000)
CURRENT ASSETS			
Cash Assets		2,050	1,022
Receivables	4.1	214	353
Inventories	4.2	764	1,187
Other financial assets	4.3	41	41
Other assets	4.4	299	395
TOTAL CURRENT ASSETS		3,368	2,998
NON-CURRENT ASSETS			
Receivables	4.1	779	865
Other financial assets	4.3	64	50
Intangibles	4.5	89	98
Property, plant & equipment	4.6	11,271	12,708
Investment properties	4.7	29,770	29,770
Deferred tax assets	4.8	42	-
Other assets	4.4	269	350
TOTAL NON-CURRENT ASSETS		42,284	43,841
TOTAL ASSETS		45,652	46,839
CURRENT LIABILITIES			
Payables	4.9	992	1,496
Interest-bearing liabilities	4.10	1,028	4,537
Current tax liability	4.11	533	-
Provisions	4.12	112	128
Other Liabilities	4.13	-	139
TOTAL CURRENT LIABILITIES		2,665	6,300
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4.10	24,750	27,941
Provisions	4.12	15	8
TOTAL NON-CURRENT LIABILITIES		24,765	27,949
TOTAL LIABILITIES		27,430	34,249
NET ASSETS		18,222	12,590
EQUITY			
Contributed Equity	4.14	12,969	10,827
Reserves	4.15	6,821	6,700
Accumulated Losses	4.16	(1,568)	(4,937)
TOTAL EQUITY		18,222	12,590

The above statement of financial position is to be read in conjunction with the attached notes

Notes to Statement of Financial Position

4.1 Receivables

	Consolidated 2005 ($'000)	2004 ($'000)
Current		
Trade accounts receivable	34	225
Other debtors	180	128
	214	353
Non-Current		
Other debtors	779	865
	779	865

4.2 INVENTORIES

	Consolidated 2005 ($'000)	2004 ($'000)
Finished Goods – at cost	764	1,187

4.3 OTHER FINANCIAL ASSETS

	Consolidated 2005 ($'000)	2004 ($'000)
Current		
Shares in Listed Companies – at recoverable amount	41	41
Non-Current		
Shares in Unlisted Companies – at recoverable amount	64	50

4.4 OTHER ASSETS

	Consolidation 2005 ($'000)	2004 ($'000)
Current		
Short term deposits	10	20
Prepayments	289	375
	299	395
Non-Current		
Loan establishment costs	153	236
Deferred costs	116	114
	269	350

Loan establishment costs relate to the renegotiation and extension of the commercial bill facilities and are being amortised over the terms of the commercial bills on a proportionate basis. The expense is included in borrowing costs.

Deferred costs relate to the Airlie Beach Lagoon project.

4.5 INTANGIBLES

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Hotel Licenses – at cost	104	110
Less accumulated depreciation	(15)	(12)
	89	98

4.6 PROPERTY, PLANT & EQUIPMENT

	Consolidation 2005 ($'000)	Consolidation 2004 ($'000)
Freehold Land		
At directors' valuation – June 2004	-	8,275
At directors' valuation – December 2004	7,025	-
	7,025	8,275
Buildings		
At director's valuation – June 2004	-	3,700
At directors' valuation – December 2004	3,750	-
At cost	43	-
Less accumulated depreciation	(60)	-
	3,733	3,700
Plant & Equipment		
At Cost	1,597	2,033
Less accumulated depreciation	(1,137)	(1,480)
	460	553
Plant & Equipment under finance lease		
At Cost	105	248
Less accumulated amortisation	(52)	(68)
	53	180
	11,271	12,708

The policy to adopt fair value for land and buildings was made with effect from 1 July 2003. As at 31 December 2004 an independent valuation of the Ashmore Tavern was received for refinance purposes on behalf of the company's lender.

Based on this revaluation, the fair value of the Ashore Tavern has been reassessed. The movement in the carrying value of land and buildings during the period is shown below.

	Land $'000	Buildings $'000
Balance at 30 June 2004	8,275	3,700
Disposal – Imperial Hotel	(2,750)	(256)
Additions	-	53
Depreciation	-	(107)
Increment on revaluation	1,500	343
Balance at 31 December 2004	7,025	3,733

4.7 INVESTMENT PROPERTIES

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Investment properties – at directors' valuation – June 2004	29,770	29,770
	29,770	29,770

Investment properties comprise the Sunnybank Hills and Aspley Hotels / Shopping Centres.

4.8 DEFERRED TAX ASSETS

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Future Income Tax Benefit	42	-

4.9 PAYABLES

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Trade accounts payable (unsecured)	992	1,496

4.10 INTEREST- BEARING LIABILITIES

	Consolidation 2005 ($'000)	Consolidation 2004 ($'000)
Current		
Secured		
Bank Overdraft *	-	70
Commercial Bills *	1,000	4,400
Finance Lease Liabilities *	28	67
	1,028	4,537
Non-Current		
Secured		
Commercial Bills *	24,750	27,850
Finance Lease Liabilities *	-	91
	24,750	27,941

*Details of security

a) Bank overdraft and commercial bills are wholly secured by way of:

i. Registered mortgage debenture over assets and undertakings of the group
ii. Unlimited interlocking guarantee by Eumundi Group Limited, Eumundi Brewing Company Pty Ltd and Eumundi Hotels Group Pty Ltd
iii. First registered mortgage over the property, plant & equipment and investment properties of the group

b) Finance lease liabilities are secured by the respective plant and equipment

4.11 CURRENT TAX LIABILITY

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Income Tax Payable	533	-

4.12 PROVISIONS

	Consolidation 2005 ($'000)	Consolidation 2004 ($'000)
Current		
Employee Benefits	112	128
	112	128
Non-Current		
Employee Benefits	15	8
	15	8

4.13 OTHER LIABILITIES

	Consolidated 2005 ($'000)	Consolidated 2004 ($'000)
Unearned Income	-	139
	-	139

4.14 CONTRIBUTED EQUITY

	Number of Shares 2005	Number of Shares 2004	2005 ($'000)	2004 ($'000)
Issued Shares				
Fully paid ordinary shares	84,331,609	68,341,946	12,969	10,827
Movements in Ordinary Shares				
Shares on issue at beginning of year	68,341,946	56,925,754	10,827	9,293
Shares issued during the year: Issued on 29 June 2004 at 14 cents per share cash under share purchase plan	-	11,416,192	-	1,598
Shares issued during the year: Issued on 15 July 2004 at 14 cents per share cash.	15,989,663	-	2,239	-
Transaction costs arising on share purchase plan issue	-	-	(97)	(64)
Shares on issue at end of year	84,331,609	68,341,946	12,969	10,827

Fully paid ordinary shares carry the right to one vote at a meeting of the company. Shareholders also have the right to receive dividends as declared and to participate in the proceeds from the sale of all surplus assets in proportion to the total shares issued in the event of the company winding up.

4.15 RESERVES

	Consolidated 2005 ($'000)	2004 ($'000)
Asset Revaluation Reserve	6,821	6,700

Movements in reserves:

	2005 ($'000)	2004 ($'000)
Balance at beginning of year	6,700	-
Increment on revaluation of assets:		
- Freehold land	1,500	4,699
- Buildings	343	2,001
Transfer to accumulated losses for realised gain on Imperial Hotel	(1,722)	-
Balance at end of year	6,821	6,700

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve maybe 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.

4.16 ACCUMULATED LOSSES

	Consolidated 2005 ($'000)	2004 ($'000)
Accumulated losses at the beginning of the year	(4,937)	(4,101)
Net profit / (loss)	1,647	(836)
Transfer from asset revaluation reserve	1,722	-
Accumulated losses at the end of the year	(1,568)	(4,937)

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 ($'000)	2004 ($'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		18,806	16,324
Payments to suppliers and employees		(15,673)	(14,772)
Borrowing costs including interest & other costs of finance paid		(1,979)	(1,306)
Interest received		77	32
Receipts from other debtors		150	150
Net cash inflows provided by operating activities	6.1(i)	1,381	428
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(265)	(324)
Proceeds from disposals of property, plant & equipment		10	-
Proceeds from disposal of Imperial Hotel	6.1(iv)	4,474	-
Payments for intangibles		-	(5)
Payments for other non-current assets		-	(38)
Payment for acquisition of investments		(14)	-
Payments for investment properties		-	(30,987)
Net cash in / (out) flows used in investing activities		4,205	(31,354)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(6,500)	(1,700)
Proceeds from borrowings		-	31,000
Principal repayment of finance leases		(130)	(65)
Proceeds from issue of share capital		2,239	1,598
Transaction costs arising on issue of share capital		(97)	(64)
Net cash in / (out) flows used in financing activities		(4,488)	30,769
Net increase / (decrease) in cash held		1,098	(157)
Cash at beginning of year		952	1,109
Cash at end of year	6.1(iii)	2,050	952

The above statement of cash flows are to be read in conjunction with the attached notes.

5.1 NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of profit from ordinary activities after income tax to cash flows from operating activities:

	Consolidated 2005 ($'000)	2004 ($'000)
Profit from ordinary activities after income tax	1,647	(836)
Depreciation and amortization	314	339
Write off of plant & equipment	(17)	17
Decrement on revaluation of investment properties to fair value	-	1,217
Profit on Sale of Imperial Hotel	(794)	-
Changes in assets and liabilities:		
Trade Accounts receivable	191	(215)
Other debtors	(45)	84
Other current assets	160	(244)
Future income tax benefit	(42)	-
Inventory	(1)	(228)
Prepayments	96	(249)
Trade accounts payable	(504)	374
Income tax payable	533	-
Other liabilities	(139)	139
Employee Benefits	(18)	30
	1,381	428

(ii) Non-Cash Financing and Investing Activities

During the financial year, the consolidated entity acquired property, plant and equipment with an aggregate fair value of $nil (2004: $84,000)

(iii) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2005 ($'000)	2004 ($'000)
Cash	2,050	1,022
Bank overdraft	-	(70)
	2,050	952

(iv) Reconciliation of Profit on Sale of Imperial Hotel

		($'000)
Proceeds		4,474
Less:		
Freehold Land	2,750	
Buildings	256	
Plant & Equipment	235	
Licence Applications	6	
Stock & Cash Balances	424	
Capitalised Sale Expenses	26	
Long Service Leave Adjustment	9	3,706
Profit		768

6. DIVIDENDS

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

7. DIVIDEND REINVESTMENT PLANS

Not Applicable

8. NET TANGIBLE ASSET BACKING

	Consolidated 2005 Cents	Consolidated 2004 Cents
Net tangible asset backing per ordinary security	21.5	18.3

9. EARNINGS PER SHARE

	Consolidated 2005 Cents	Consolidated 2004 Cents
Basic earnings (loss) per share (cents per share)	2.0	(1.5)
Diluted earnings (loss) per share (cents per share)	2.0	(1.5)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	83,630,692	56,956,946
Weighted average number of shares and potential ordinary number of shares used in calculating diluted earnings per share	83,630,692	56,956,946

10. CONTINGENT ASSET – AIRLIE BEACH LAGOON

As previously discussed in previous annual reports and other ASX releases, the company has a minority (23.3%) interest in Airlie Beach Lagoon Holdings Ltd (ABLH).ABLH is controlled by FKP Limited and has secured a lease to develop a property at Airlie Beach, Queensland to be known as Airlie Beach Lagoon Resort. On completion, ABLH will be issued with a 100 year lease over the entire property which it will in turn enter into various sub-leases on similar terms with third parties. Under the agreement with FKP, the consolidated entity is entitled to become the recipient of one of the sub-leases in respect of tavern and club facility to be located on the ground floor for no consideration. FKP controls the development and is responsible for all funding and construction risk associated with the development.

At 30 June 2005 the consolidated entity has incurred expenditure totaling $116,000 (2004: $114,000) in respect to this asset which has been capitalised.

11. CONTINGENT LIABILITIES

As at 30 June 2005, the consolidated entity had no material contingent liabilities.

12. CHANGES IN CONTROL OVER GROUP ENTITIES

During the year ended 30 June 2005 there were no changes (gained or lost) in the control exercised by the company over group entities.

13. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not Applicable

14. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO AIFRS

The consolidated entity is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, which will form the basis of accounting for AFIRS in the future.

Set out below are the key areas which accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes based on work performed to date.

The issues and figures disclosed are management's best estimate of the material impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken; (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

The tables below show the impact of the adjustments under AIFRS as at 1 July 2004 and for the year ended 30 June 2005. The adjustments are indicative only and actual results may vary.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated 30 June 2005 A $'000	 1 July 2004 B $'000
Total equity under AGAAP		18,222	12,590
Adjustments to retained earnings (net of tax):			
Decrement on revaluation of buildings	(ii)	-	(478)
Tax benefit of building allowance on investment properties	(v)	(271)	(93)
		17,951	12,019
Adjustments to other reserves (net of tax):			
Decrement on revaluation of buildings	(ii)	-	478
Deferred tax liability on revaluation of Ashmore Tavern transferred from asset revaluation reserve	(v)	(1,943)	-
Tax benefit of write-down of investment properties	(v)	365	365
Total equity under AIFRS		16,373	12,862

A These columns represent the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

B These columns represent the adjustments as at the date of transition to AIFRS.

There is no expected impact on the parent entity's financial statements.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	Notes	Year ended 30 June 2005 Consolidated $'000
Net profit as reported under AGAAP		1,647
Adjustment to income tax expense		(265)
Net profit under AIFRS		1,382

(c) Other disclosures under AIFRS

(i) Investment properties

Under AASB 140 "Investment Property" investment properties are able to be recorded at either fair value or depreciated cost. Under current Australian Accounting Standards (AGAAP), investment properties are not depreciated and the impacts of revaluations, if any, are recorded in the asset revaluation reserve or Statement of Financial Performance, as appropriate. Under AIFRS, revaluation increments or decrements are required to be recognised in the Statement of Financial Performance.

The consolidated entity's current policy (under AGAAP) is to initially record investment properties at cost, and subsequently, to revalue investment properties to fair value. Since investment properties are already recorded at fair value, no material impact is expected in respect of the carrying value of investment properties upon adoption of AASB 140. Further, as there has been no balance credited to the asset revaluation reserve in respect of investment properties, no other adjustments at transition date (being 1 July 2004) or 30 June 2005 arise.

(ii) Property, plant and equipment

Under AASB 116 "Property, Plant and Equipment" items of property, plant and equipment can be measured on either the cost model or revaluation model. The consolidated entity has elected to record land and buildings on the revaluation model. Under the AASB 116 revaluation model the treatment of increments and decrements on revaluations is determined on an individual asset basis rather than the class basis adopted under AGAAP.

The effect of this change in policy is to transfer a decrement of $478,000 (recognised in respect of the Imperial Hotel building and offsetting a greater increment on the Ashmore Tavern building) from the asset revaluation reserve to accumulated losses at transition date (1 July 2004). This adjustment is reversed in the 2005 financial year when the property was sold and the balance of the asset revaluation reserve (in respect to the Imperial Hotel) was transferred to accumulated losses.

(iii) Property rental income

The consolidated entity currently accounts for fixed increases in rental income as they arise under lease agreements with tenants. Under AIFRS, the consolidated entity is required to calculate the fixed rental increases on each lease contract upfront and recognise this income on a straight-line basis over the lease term.

On transition to AIFRS on 1 July 2004, a separate asset is created but is included as part of investment properties for disclosure purposes, and as a result, there is no impact on the Statement of Financial Position. For the year ended 30 June 2005 the additional rental revenue from recording fixed rent increases on a straight-line basis is shown in the Statement of Financial Performance, however, this is offset by a revaluation decrease for the same amount to ensure the investment properties remain at fair value. Accordingly, there is no material net impact expected as a result of this change in policy.

(iv) *Impairment of assets*

Under AASB 136 “Impairment of Assets” the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The current accounting policy of the consolidated entity has been to determine the recoverable amount on the basis of expected net cash flows which have not been discounted to their present value. Based upon work performed to date no impairment of the consolidated entity’s assets has been identified.

(v) *Income taxes*

AASB 112 Income Taxes requires the consolidated entity to use a balance sheet liability method, rather than the current income statement method. The balance sheet method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This different method of measurement will recognise a broader range of differences than those that arise currently. Consequently the consolidated entity may be required to recognise additional levels of deferred tax assets and liabilities.

A significant impact currently identified is in respect of the revaluation of the land and buildings. As noted above, under the AIFRS balance sheet method of tax effect accounting, the difference between the carrying value of an asset (ie land and buildings) and its tax base can give rise to a deferred tax liability. The consolidated entity has estimated a deferred tax liability of $1,943,000 in relation to the Ashmore Tavern land and buildings at 30 June 2005. This liability is reduced by the extent of deferred tax assets arising from tax losses and deductible temporary differences. The consolidated entity is still investigating whether the carried forward tax losses are available to be offset against future assessable income. Given the movement in issued shares from June 2004, there is some concern as to whether the company continues to satisfy the continuity of ownership test which is necessary to obtain the benefit of the tax losses. Until this exercise has been completed, the directors have adopted a conservative approach and assumed that the benefit of the tax losses are not available.

Another impact identified is the difference between the carrying value of investment properties and their tax base as a result of the decrement on revaluation in the 2004 financial year and the building allowance tax deductions in 2004 and 2005.

The consolidated entity is still investigating the potential impact of AASB 112 Income Tax under AIFRS.

(vi) *Financial instruments*

The consolidated entity has elected to apply the first-time adoption exemption to defer the date of transition of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements. The consolidated entity has determined the classifications that will apply to the various financial assets and financial liabilities, other than derivatives, from 1 July 2005. This classification determines the measurement basis, being fair value or amortised costs, to be adopted.

(vii) Format of financial statements

In addition to the transitional adjustments detailed above, which will impact the measurement and recognition of certain items, the adoption of IFRS will introduce a number of changes to the format of the income statement, balance sheet and other financial statement disclosures.

15. FOREIGN ENTITIES

Not Applicable

16. SEGMENT INFORMATION

Geographical Segments

The group operates predominantly in Australia.

Business Segments

This group operates predominantly in the following business segments:

Hotel Operations – operations comprise the operation of the Ashmore Tavern for the full year and the Imperial Hotel until 24 January 205 at which date the Imperial Hotel was sold.

Investment – operations comprise investment in commercial properties.

Primary reporting – business segments

	Hotel Operations 2005 ($'000)	Investment 2005 ($'000)	Total 2005 ($'000)
Revenue			
Sales to customers outside the group	18,287	3,287	21,574
Total segment revenue	18,287	3,286	21,574
Unallocated revenue			165
Total revenue			21,739
Results			
Segment Results	2,017	2,651	4,668
Unallocated revenue less unallocated expenses			(2,530)
Profit from ordinary activities before income tax			2,138
Income tax (expense)/benefit			(491)
Net profit			1,647
Assets			
Segment Assets	14,960	29,886	44,846
Unallocated Assets			806
Total Assets			45,652
Liabilities			
Segment Liabilities	955	-	955
Unallocated Liabilities			26,475
Total Liabilities			27,430
Other Segment Information			
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	277	-	277
Unallocated acquisitions			12
Total Acquisitions			289
Depreciation and amortisation	304	-	304
Unallocated			10
Total depreciation and amortisation			314
Other non-cash expenses other than depreciation and amortisation	-	-	-

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

☐ The accounts have been audited

☑ The accounts are in the process of being audited

☐ The accounts have been subject to review

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

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

Not applicable

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

Not applicable

Leni Stanley
Company Secretary
13 September 2005