

EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2005

Table of Contents

CORPORATE DIRECTORY	3
REVIEW OF OPERATIONS AND ACTIVITIES.....	4
DIRECTORS' REPORT.....	7
AUDITOR'S INDEPENDENCE DECLARATION	14
CORPORATE GOVERNANCE STATEMENT	15
STATEMENTS OF FINANCIAL PERFORMANCE.....	22
STATEMENTS OF FINANCIAL POSITION.....	23
STATEMENTS OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS.....	25
DIRECTORS' DECLARATION.....	52
AUDIT REPORT	53
SHAREHOLDER INFORMATION	55

Corporate directory

Directors	Joseph Michael Ganim <i>Chairman</i> Gilbert De Luca Vernon Alan Wills
Company Secretary	Leni Stanley
Chief Executive Officer	Ashley Moffat
Principal registered office in Australia	c/- Hoggood Ganim Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: (07) 3024 0000
Principal place of business	Level 1, 101 Edward 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 255 Adelaide Street Brisbane Qld 4000
Solicitors	Hoggood 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 Stock Exchange
Web Site Address	www.eumundi-ltd.com.au

CHAIRMAN'S ADDRESS

REVIEW OF OPERATIONS

It is with great satisfaction that I can report for the first time Eumundi Group has delivered a Net Profit after tax of \$1.6 million, up \$2.5 million from the net loss in 2003/04.

This was due in part to the net profit delivered on the sale of the Imperial Hotel (\$0.8 million) and write downs which contributed to last year's loss (\$1.2 million).

Revenues from Ordinary Activities increased by 45% to \$21.7 million compared with last years \$15 million. This result is very pleasing to the directors given that if proceeds of the sale of the Imperial Hotel are removed (\$4.5 million), revenue still increased by 15% or \$2.3 million. This is attributable mainly to a full year's earnings from the two shopping centre acquisitions (Aspley and Sunnybank Hills) plus improved earnings from the Ashmore Tavern.

Expenses for 2004/05 increased by 23% from \$15.8 million to \$19.6 million. This was due to three significant factors. The first being \$3.7 million attributable to the carrying value of the Imperial Hotel assets sold compared with \$1.2 million in valuation write downs on investment properties in 2003/04. The second being increases in gaming taxes generated from increases in gaming sales. The third being borrowing costs utilised in acquiring the shopping centres in March 2004.

The directors would like to highlight that Net Assets as at 30 June 2005 have increased 45% from \$12.6 million to \$18.2 million. This is due largely to the re-valuation increase attributed to the Ashmore Tavern (\$1.8 million), the profit associated with the sale of the Imperial Hotel, and equity raising of \$2.1 million which occurred in July 2004.

SHOPPING CENTRES

The group's two investment acquisitions have performed exceedingly well over the reporting period.

Sunnybank (excluding Tavern and Bottle Shop) returned a net profit before Owner's Expenses of \$377,800, up 10.5% (\$36,000) on budget forecasts. Inclusive of capital works, leasing commissions (\$12,700), the centre still returned above budget.

The centre was maintained close to full occupancy during the reporting period and at the time of this report had only 2 small vacancies amongst the tenancy mix. A number of retailers again at the time of writing have indicated their desire to exercise lease option periods and continue trading for extended periods over the next 5 years.

Aspley (excluding Tavern and Bottle Shop) returned a net profit before Owner's Expenses of \$806,000 down 2.5% (\$20,000) on budget forecasts. There were minimal (\$753) owner's expenses.

However, at the time of writing this report, a significant arrears collection from an outgoing tenant (\$32,000) which was largely attributable to the 2004/05 financial year means that Aspley effectively met and slightly exceeded budget forecasts.

This centre has enormous potential and is currently fully leased with a number of quality national tenants such as Pizza Hut, Cold Rock Ice Cream, LJ Hooker together with a strong mix of long standing local businesses such as a 24 hour a day newsagent, large pharmacy, bottle shop, and food operators.

ASHMORE TAVERN

The Ashmore Tavern (which includes its 3 detached bottle shops) returned a net profit of \$1 million for 2004/ 05 year which was virtually the same as the aggressive budget forecast of \$1.069 million.

This is a very pleasing result considering the highly competitive nature of liquor retailing at present, and particularly the case on the Gold Coast.

The total sales revenue of all bottle shops, liquor barn, and bars at the tavern (\$7.6 million) was up \$231,000 (3%) on the budget forecast (\$7.4 million).

Gross Profit (\$5.3 million) was also virtually on line with budget forecasts (\$5.311 million).

Eumundi has invested significant capital over the past twelve months in improving the gaming machines and facilities and this will continue. Further improvements are currently being made to child friendly areas and the TAB facilities.

AIRLIE BEACH LAGOON PROJECT

This is a joint venture between Eumundi Group Ltd and FKP Limited.

The directors reported in the 2004 Report that we expected construction to commence early 2005 with completion no later than mid 2006, however due to circumstances beyond the control of Eumundi Group, this timetable will be revised once a decision has been made by the Local Authority.

Eumundi Group and FKP Limited have worked extremely diligently on this project, which has received considerable local press over the past twelve months. We have ensured that local authority requests and queries have been appropriately answered. Further, we have acted with integrity and adopted an open book approach with local community groups and interested parties.

We believe a decision will be made by the Local Authority with respect to the Development Application over the coming weeks. Eumundi Group and FKP look forward to announcing to their shareholders shortly as to the outcome of the Development Application and the anticipated development program, subject to timing of any legal objections or appeals that may arise as a result.

SUBSEQUENT EVENTS

Shareholders will no doubt have noted that the Company has made two announcements subsequent to the end of the year under report. Both, as the announcements so attest, were highly beneficial to the Company and quite substantially increase the Company's capabilities to move forward with its business plan.

The first was the sale of the Sunnybank Shopping Centre at what could readily be described as an exceptionally good price. That was achieved after a lengthy negotiation process and settlement is scheduled to take place on 1 November 2005, so that by the AGM, those monies will be in the Company's coffers. The price was \$15.3 million and reflects an excess over the current carry value of the Centre (after 2003/2004 write down of \$494,000) of \$2,982,000 and an excess over the costs of and associated with the purchase of the Centre of \$2,398,000. Considering we have owned the Centre less than two years, this is quite a remarkable achievement. Not only is it an excellent outcome for the Company, but it further solidifies the Company's financial standing with its bankers after having demonstrated a realisation of the asset in excess of value.

The second was the signing of a Consultancy Agreement with Fitzwilliam Pty Limited, a Company associated with the Murphy Family, which is a well known and successful Sydney Hotel operating group. This Consultancy achieves added cash flow to the bottom line of \$100,000 per year for a period of four years without the necessity of any expenditure by the Company and thus is a further demonstration of the Company's ability and willingness to extend its services and earning capability.

FUTURE DIRECTION

The directors take a positive outlook for the future prospects of this company, particularly in light of the record performance this year in delivering profit, improving the asset base, significantly raising revenues, and minimising expenditure variances.

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

By this, we aim to acquire shopping centres that may have been neglected or over looked for improvement and redevelopment. In particular, we will seek properties with a proven anchor tenant upon which the balance of development can be grown.

In addition, we aim to find "Greenfield" locations whereby opportunity exists through our network of industry contacts to conclude new lease arrangements with national tenants.

By obtaining the relevant Development Approvals and constructing the centres appropriately, Eumundi Group will then have an opportunity to either "sell" the development upon completion for pre-approved profit margins or "hold" the developments as part of a medium to long term strategy.

Regardless, we believe the retail property sector is strong and will continue to deliver healthy returns to its investors provided a solid anchor tenant is properly secured.

With respect to our existing property holdings, they continue to be under constant review and exploration for possible redevelopment and improvement. At the time of writing this report, we have made significant progress over the past 3 months in reviewing Sunnybank, Aspley, and Ashmore and we are hopeful of some positive outcomes that can be announced when appropriate to the shareholders over the coming months.

CONCLUSION

To summarise, the Directors are very optimistic about the future outlook of the Company and with Ashley Moffat, the new CEO proving to be capable of exactly what he represented when first interviewed, the Board is very busy looking at possible future projects sourced by Ashley. There is a multiplicity of such projects and in line with the conservative approach to ensure the Company maintains a steady, strong direction, the best of these will be very carefully considered and announcements will be made as further projects crystallise.

All in all, the Company is in a strong financial position, its debt level comparatively conservative, its assets blue chip and its capabilities to undertake larger transactions increasing continually.

At the moment the Directors do not consider it appropriate to consider the payment of a dividend, given the current business plan is to build the Company's asset backing, although that situation will be reviewed in the future. This is so, notwithstanding with the profitability of the Company, there are no longer any tax losses available. Obviously, the achievement of that position demonstrates a healthy Company moving in the right direction. Given the Company is becoming a reasonably major property holder, the Directors will be looking at the structure of the Company to best accommodate further purchases.

The Board of Directors would like to thank the very dedicated people involved within the Company, Ashley Moffat, the recently appointed CEO for hitting the ground running and justifying the faith that the Directors have in him, the very hardworking and dedicated staff of the Ashmore Tavern, from the manager Jason down and the various Consultants who continue to work very closely with the Company to achieve that which the Directors are confident will result in continued increasing value for the Shareholders.

Finally, a big thank you to all of the Shareholders who have so strongly supported the Company, and in this regard, with particular emphasis on those who are still here from the days when the very existence of the Company was in serious doubt, a situation that thankfully has disappeared from the agenda.



J M Ganim
Chairman
30 September 2005

Directors' report

In respect of the financial year ended 30 June 2005, 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 was appointed a director on 1 September 2004 and continues in office at the date of this report.

B D Weller was a director from the beginning of the financial year until his resignation on 27 August 2004.

Principal Activities

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

- a) the operation of the Imperial Hotel and Ashmore Tavern
- b) the holding of investment properties

In January 2005, the Imperial Hotel was sold. 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 2005.

Review of Operations

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

- a) 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.
- b) 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 \$4,474,000 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 the 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 seven months contribution from the Imperial Hotel up to the date of sale.
- c) Expenses for the year were \$19,601,000, an increase of 23% from \$15,830,000 in the prior year. Current year expenses include \$3,680,000 attributable to the carrying amount of the Imperial hotel assets sold, 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 \$1,308,000 or 9%. This increase is largely attributable to the increase in gaming taxes generated from the increase in sales revenue, 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.

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) An increase in contributed equity of \$2,142,000 (from \$10,827,000 to \$12,969,000) as a result of the issue of a further 15,989,663 shares at 14 cents per share to private investors on 16 July 2004 (less transaction costs of \$97,000).
- b) Sale of Imperial Hotel for \$4,474,000 in January 2005 resulting in a profit of \$768,000.
- c) Net cash received from the increase in contributed equity and the sale of the Imperial Hotel at a profit used principally to repay borrowings which were undertaken to finance the purchase on the shopping centre investment properties at Sunnybank Hills and Aspley. Commercial Bill borrowings were reduced by \$6,500,000 to \$25,750,000 at 30 June 2005 (2004: \$32,250,000).

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since 30 June 2005 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years or the consolidated entity's state of affairs in future financial years, except as follows:

In September 2005 an unconditional contract was signed for the sale of the Sunnybank Shopping Centre for a sales price of \$15,300,000 with settlement set for 1 November 2005. The sale represents a net profit of approximately \$2,892,000, before disposal costs and tax. In addition Eumundi Group Limited executed a consultancy agreement which will result in additional annual revenue of \$100,000 for a period of 4 years.

Likely developments and expected results of operations

The likely developments and expected results of operations have been outlined in the Chairman's Address. In the opinion of the Directors, any additional disclosure of information to that disclosed in the Address and Results of Operation, 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:

Chairman of the Audit Committee until 20 December 2004. Member of Audit Committee for full year.

Brian David Weller – Non-executive director

Mr Weller was appointed non-executive director on the 24 September 2003. He has a wealth of experience in the hotel industry. Mr Weller resigned on 27 August 2004.

Vernon Alan Wills – Non-executive director

Mr Wills was appointed non-executive director on 1 September 2004. He is chairman of Operating Entities for Enhance Group which includes Enhance Management Pty Ltd, a leading Queensland 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 from 20 December 2004.

Member of Audit Committee from 1 September 2004

Interests of Directors

<i>Names of Directors</i>	<i>Ordinary Shares</i>	<i>Options</i>
J M Ganim	14,827,773	-
G De Luca	7,982,311	-
V A Wills	-	-

Information on company secretary

The company secretary at the end of the financial year was Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary on 28 November 2004. 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 2005, 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	10	10	3	3
G De Luca	10	10	3	3
B D Weller	-	-	*	*
V A Wills	9	8	2	2

* not a member of the committee

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

a) Remuneration report

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 board is currently reviewing 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.

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.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of Eumundi Group Limited and each of the executives of the company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 are set out in the following tables.

Directors' report
(continued)

<i>Directors</i>	Primary Cash salary and fees \$	Non-cash benefits \$	Post- employment Super- annuation \$	Equity Options \$	Total \$
2005					
J M Ganim (Chairman – Non-executive)	5,000	-	38,600	-	43,600
G De Luca (Non-executive)	1,000	-	20,800	-	21,800
B D Weller (1) (Non-executive)	-	-	-	-	-
V A Wills (2) (Non-executive)	25,000	-	-	-	25,000
Total	31,000	-	59,400	-	90,400
2004					
J M Ganim	40,000	-	3,600	-	43,600
G De Luca	20,000	-	1,800	-	21,800
B D Weller	15,000	-	1,350	-	16,350
Total	75,000	-	6,750	-	81,750
Executives					
2005					
S Coxon (3) (Chief Executive and Company Secretary)	65,946	-	5,935	-	71,881
A Moffat (4) (Chief Executive)	14,034	-	966	-	15,000
L Stanley (5) (Company Secretary)	8,750	-	-	-	8,750
Total	88,730	-	6,901	-	95,631
2004					
S Coxon	131,952	17,208	12,492	4,358	166,010
Total	131,952	17,208	12,492	4,358	166,010

(1) B D Weller resigned as a director on 27 August 2004.

(2) V A Wills was appointed a director on 1 September 2004

(3) S Coxon resigned as chief executive officer and company secretary on 25 February 2005

(4) A Moffat was appointed chief executive officer on 1 June 2005

(5) L Stanley was appointed company secretary on 28 November 2004

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

There were no bonuses paid during the current or prior year and no part of current remuneration was linked to performance.

C. Service agreements

A Moffat (Chief Executive Officer)

Currently Mr Moffat is engaged under a letter of appointment, however negotiations are underway to secure his tenure and terms of employment. Once his service agreement has been finalised it will be advised to Australian Stock Exchange Limited.

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.

D. Options issued as part of remuneration

In December 2001 2,500,000 options were issued to S Coxon. These options lapsed without vesting upon resignation on 25 February 2005. The vesting of the options was dependent upon both market and non-market conditions. The non-market condition, which was chosen in part to reward him for his efforts, being the achievement of gross revenue for the consolidated entity of \$300,000 as a direct result of the efforts of the option holder, was not met prior to termination. This assessment as to whether the condition was met was solely at the discretion of the directors. As such, no remuneration in relation to the options has been recognised in 2005 and were valued at \$nil at the time they lapsed. There were no options granted as part of remuneration during the year and no remuneration options exercised.

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 secretaries 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 willful 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 auditor 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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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

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	
	2005	2004
	\$	\$
Johnston Rorke (current auditor)		
Audit or review of financial reports	41,000	21,000
Other services – advisory	-	4,900
	41,000	25,900
Taxation services	8,950	-
Total remuneration – Johnston Rorke	49,950	25,900
PKF (previous auditor)		
Advisory services	-	21,350
Total remuneration – PKF	-	21,350

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.

A handwritten signature in black ink, appearing to read 'J M Ganim', with a long horizontal stroke extending to the right.

J M Ganim
Director

Dated at Brisbane this 30th day of September, 2005.

Chartered Accountants

Floor 5 National Bank House
255 Adelaide Street Brisbane Q 4000
GPO Box 1144 Brisbane Q 4001
Ph 07 3222 8444 / Fax 07 3221 7779
Website www.jr.com.au
Email jr@jr.com.au

The Directors
Eumundi Group Limited
Level 1, 101 Edward Street
BRISBANE QLD 4000

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Eumundi Group Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the 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



R.C.N. WALKER
Partner

Brisbane, Queensland
30 September 2005

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 Stock Exchange's "Principles of Good Corporate Governance & Best Practice Recommendations" published on 31 March 2004 ('ASX Guidelines') and has introduced new 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 developed and were introduced in the previous years. To assist with adherence to the practices the Board has also formally established 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 2005 year the Company did not comply fully with this recommendation. At the present time the Board is comprised of all Non-Executive Directors. 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.

Corporate governance statement (continued)

Other than their interest as significant Company shareholders, 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; its Chief Executive Officer Mr A Moffat 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. A 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.

Corporate governance statement

(continued)

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 established 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 is in 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 is 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 now a standing Board requirement and such written confirmations have been received.

Recommendation 4.2: The board should establish an audit committee.

The Company established an Audit and Risk Management Committee in the 2004 year. The number of meetings of the Committee held during the 2005 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 the 2004 and 2005 years the committee comprised Mr. G. De Luca and Mr. J.M. Ganim. Mr V.A. Wills who is an independent director has been appointed to the Audit Committee as from 1 September 2004. Mr G De Luca was chairman of the Audit Committee until 20 December 2004 at which time Mr V.A. Wills was elected chairman. 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 in the 2003 calendar year and 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 its 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 was established to ensure 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 a 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 also now 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. This evaluation policy is being reviewed in the 2005 year to assess the benefits of having it facilitated by an external consultant who provides an independent and objective assessment.

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, is responsible for monitoring adherence to Board policy and procedures, and is 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.

The board is currently reviewing the remuneration policy for the Chief Executive Officer and other senior employees in terms of cost, market competitiveness and further linking remuneration to the financial and operational performance of the company.

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 consolidated entity has provided option/equity-linked performance incentives to its Chief Executive Officer in a previous year that is linked to the financial and operational performance of the Company. The options policy adopted by the Board comprises an exercise price that accords with the share market price at the time of issue; are exercisable subsequent to the share price of the parent entity reaching market price tiered thresholds and that they expire after a reasonable period. The Company does not currently pay any equity-based executive remuneration to directors.

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 and 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' where remuneration is set out in the relevant section of the Annual Report. Details of the nature and amount of each element of the emolument of each Director of the Company and the specified executives of the Company with the most responsibility for strategic direction 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 Reports 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.

Statements of financial performance

For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from ordinary activities	2	21,739	14,994	1,060	7,076
Expenses from ordinary activities					
Purchase of inventories		6,899	8,181	-	-
Changes in inventories		(1)	(228)	-	-
Carrying amount of assets sold/written off					
– Imperial Hotel	27	3,680	-	-	-
– Other		14	17	-	-
Employee and director costs		2,073	2,332	-	-
Repairs and maintenance		77	94	-	-
Management fee		121	117	-	-
Gaming machine tax		1,535	1,147	-	-
Depreciation and amortisation		293	339	-	-
Insurance		159	254	-	-
Operating lease rentals		240	241	-	-
Rates and taxes		102	109	-	-
Outgoings – investment properties		635	144	-	-
Decrement on revaluation of investment properties to fair value		-	1,217	-	-
Borrowing costs		2,073	829	-	-
Other expenses from ordinary activities		1,701	1,037	-	-
		<u>19,601</u>	<u>15,830</u>	<u>-</u>	<u>-</u>
Profit/(loss) from ordinary activities before income tax expense	3	2,138	(836)	1,060	7,076
Income tax expense	4	(491)	-	(491)	-
Net profit/(loss)	26	<u>1,647</u>	<u>(836)</u>	<u>569</u>	<u>7,076</u>
Net increment in asset revaluation reserve	25	1,843	6,700	-	-
Total revenues, expenses and valuation adjustments recognised directly in equity		<u>1,843</u>	<u>6,700</u>	<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>3,490</u>	<u>5,864</u>	<u>569</u>	<u>7,076</u>
		Cents	Cents		
Basic earnings per share (loss)	28	1.97	(1.5)		
Diluted earnings per share (loss)	28	1.95	(1.5)		

The above statements of financial performance are to be read in conjunction with the attached notes.

**Eumundi Group Limited & Controlled Entities
(formerly Eumundi Brewing Group Limited)**

Statements of financial position

As at 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	5	2,050	1,022	-	-
Receivables	6	214	353	-	-
Inventories	7	764	1,187	-	-
Other financial assets	8	41	41	-	-
Other assets	9	299	395	-	-
TOTAL CURRENT ASSETS		3,368	2,998	-	-
NON-CURRENT ASSETS					
Receivables	10	779	865	7,225	4,023
Property, plant and equipment	11	11,271	12,708	-	-
Investment properties	12	29,770	29,770	-	-
Deferred tax assets	13	42	-	42	-
Intangible assets	14	89	98	-	-
Other financial assets	15	64	50	4,587	4,587
Other assets	16	269	350	-	-
TOTAL NON-CURRENT ASSETS		42,284	43,841	11,854	8,610
TOTAL ASSETS		45,652	46,839	11,854	8,610
CURRENT LIABILITIES					
Payables	17	992	1,496	-	-
Interest bearing liabilities	18	1,278	4,537	-	-
Current tax liability	19	533	-	533	-
Provisions	20	112	128	-	-
Other liabilities	21	-	139	-	-
TOTAL CURRENT LIABILITIES		2,915	6,300	533	-
NON-CURRENT LIABILITIES					
Interest bearing liabilities	22	24,500	27,941	-	-
Provisions	23	15	8	-	-
TOTAL NON-CURRENT LIABILITIES		24,515	27,949	-	-
TOTAL LIABILITIES		27,430	34,249	533	-
NET ASSETS		18,222	12,590	11,321	8,610
EQUITY					
Contributed equity	24	12,969	10,827	12,969	10,827
Reserves	25	6,821	6,700	-	-
Accumulated losses	26	(1,568)	(4,937)	(1,648)	(2,217)
TOTAL EQUITY		18,222	12,590	11,321	8,610

The above statements of financial position are to be read in conjunction with the attached notes.

Statements of cash flows
For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		18,814	16,324	-	-
Payments to suppliers and employees		(15,700)	(14,772)	-	-
Borrowing costs paid		(1,965)	(1,306)	-	-
Interest received		77	32	-	-
Receipts from CUB (other debtors)		150	150	-	-
Net cash inflows from operating activities	27	1,376	428	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investment properties		-	(30,987)	-	-
Payments for property, plant & equipment		(265)	(324)	-	-
Proceeds from disposals of property, plant & equipment		17	-	-	-
Proceeds from disposal of Imperial Hotel		4,474	-	-	-
Payments for intangible assets		-	(5)	-	-
Payments for other non-current assets		(16)	(38)	-	-
Loans to controlled entities		-	-	(2,142)	(1,534)
Net cash inflows/(outflows) from investing activities		4,210	(31,354)	(2,142)	(1,534)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	31,000	-	-
Repayment of borrowings		(6,500)	(1,700)	-	-
Repayment of lease liabilities		(130)	(65)	-	-
Proceeds from issue of share capital		2,239	1,598	2,239	1,598
Transaction costs arising on issue of share capital		(97)	(64)	(97)	(64)
Net cash inflows/(outflows) from financing activities		(4,488)	30,769	2,142	1,534
Net increase/(decrease) in cash held		1,098	(157)	-	-
Cash at beginning of year		952	1,109	-	-
Cash at end of year	27	2,050	952	-	-

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

1. Summary of Significant Accounting Policies

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

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the parent entity and all of its controlled entities as at 30 June 2005 and the results of all controlled entities for the year then ended. Control exists where the parent entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the parent entity to achieve the objectives of the parent entity.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Recoverable Amounts of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is written-down to its recoverable amount. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(c) Depreciation

Items of property, plant and equipment other than freehold land are depreciated over their estimated useful lives using the straight line method. The depreciation rates used are as follows:

Buildings	2.5%
Plant and equipment	11-19%
Plant and equipment under finance lease	20%

(d) Investment Properties

Investment properties are initially recorded at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity.

Subsequent to initial recognition as assets, investment properties are revalued to fair value as described in note 1(e). Investment properties are maintained at a high standard and, as permitted by accounting standards, the properties are not depreciated.

Notes to the financial statements
for the year ended 30 June 2005
(continued)

1. Summary of Significant Accounting Policies (continued)

(e) Revaluations of Non-Current Assets

Subsequent to initial recognition as assets, land and buildings including investment properties are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Change in Accounting Policy for the Measurement of Land and Buildings

The policy of revaluation was adopted with effect from 1 July 2003. The previous policy was to carry land and buildings at cost less accumulated depreciation (where applicable). The new policy was adopted to provide more relevant information about the land and buildings.

The change in accounting policy resulted in increases of \$4,699,000 and \$1,990,000 in the carrying amounts of land and buildings respectively with a corresponding increase in the asset revaluation reserve, total assets, net assets and total equity.

The restatements of land and buildings, asset revaluation reserve and expenses below show the information that would have been disclosed had the new accounting policy always been applied.

Consolidated	30 June 2004 (Restated) \$'000	31 Dec 2003 (Restated) \$'000	30 June 2003 (Restated) \$'000
Freehold Land			
Previously reported carrying amount at the end of the period	8,275	3,576*	3,576
Adjustment for change in accounting policy	-	4,699	4,699
Restated carrying amount at the end of the period	8,275	8,275	8,275
Buildings			
Previously reported carrying amount at the end of the period	3,700	1,781*	1,760
Adjustment for change in accounting policy	-	1,960	1,990
Restated carrying amount at the end of the period	3,700	3,741	3,750
Asset Revaluation Reserve			
Previously reported reserve at the end of the previous period	-	-	-
Adjustment for change in accounting policy for measurement of			
- Land	4,699	4,699	4,699
- Buildings	1,990	1,990	1,990
Restated reserve at the beginning of the period	6,689	6,689	6,689
Increment on revaluation of buildings at the end of the period	11	-	-
Restated reserve at the end of the period	6,700	6,689	6,689
Depreciation Expense - Buildings			
Previously reported expense for the period	115	27	53
Adjustment for change in accounting policy	-	30	62
Restated expense for the period	115	57	115

Note that the above shows the restatement of balances as if the fair value of land and buildings determined as at 1 July 2003 was taken up as at the beginning of the 2003 year. Previously the assets had been held for many years and never revalued.

* The half year ended 31 December 2003 financial report disclosed the carrying value of property, plant and equipment as \$6,100,000. With the change in accounting policy property, plant and equipment would have been disclosed as \$12,759,000 (mainly resulting from the increase in value of land and buildings as disclosed above).

1. Summary of Significant Accounting Policies (continued)

(f) Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits. Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the assets expected useful life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to expense in the periods in which they are incurred.

(g) Receivables

All trade accounts receivable are recognised at the amounts receivable as they are generally due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where significant doubt as to collection exists.

A non trade receivable (other debtor) has been recognised at the present value of future cash flows to be received in relation to the proceeds from termination of a brewing contract – refer note 6.

Amounts Owing by Controlled Entities

A provision for non-recovery of amounts owing by controlled entities is raised on the basis of their underlying net assets.

(h) Inventories

Finished goods are measured at the lower of cost and net realisable value on a first in first out basis.

(i) Other Financial Assets

Interests in listed and unlisted securities other than in controlled entities in the consolidated financial statements are stated at cost less, where applicable, any provision for diminution in value. Dividend income is recognised in the statements of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

(j) Intangibles

Hotel licences are initially recognised at cost. Amortisation has been charged in respect of hotel licences over their estimated useful lives (50 years).

(k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts and premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

Ancillary costs incurred in connection with the arrangement of borrowings are initially recognised as loan establishment costs and amortised over the period of the relevant borrowings.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables are unsecured and are normally settled on 30-60 day terms.

(m) Interest Bearing Liabilities

Interest bearing liabilities are recognised at principal amount or face value. Interest is charged as an expense as it accrues and is included in trade creditors and accruals.

1. Summary of Significant Accounting Policies (continued)

(n) Revenue

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer (which is taken to be at the time of delivery), the amount of revenue can be measured reliably and it is probable that it will be received by the consolidated entity.

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

Rental revenue is recognised by allocating the minimum lease payments due on a basis representative of the pattern of service rendered through provision of the relevant asset.

Unearned income represents revenue received/receivable but not earned in the current financial year. The revenue is recognised at the time of provision of the relevant asset.

(o) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Tax Consolidation Legislation

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

As a consequence, Eumundi Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

(p) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at the pay rates expected to be paid when the liabilities are settled in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service leave is recognised, and is 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

Contributions are made by the consolidated entity to accumulation superannuation funds. Contributions are charged to expenses as they are incurred.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1. Summary of Significant Accounting Policies (continued)

(s) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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.

(t) 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 1, 101 Edward Street, Brisbane Qld 4000

Registered Office:

- Level 8, 1 Eagle Street, Brisbane Qld 4000

Eumundi Group Limited changed its name from Eumundi Brewing Group Limited on 1 December 2004.

Notes to the financial statements

for the year ended 30 June 2005

(continued)

2. Revenue

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from operating activities				
Sale of goods	9,983	11,073	-	-
Gaming revenue	3,428	2,615	-	-
Rental income and recoveries from investment properties	3,286	859	-	-
Royalties	1	35	-	-
License fees	75	75	-	-
	<u>16,773</u>	<u>14,657</u>	-	-
Revenue from outside operating activities				
Interest	77	32	-	-
Imputed interest on long term receivable	71	53	-	-
Rent	47	71	-	-
Commissions	141	148	-	-
Sale of Imperial Hotel	4,474	-	-	-
Sale of property, plant and equipment	17	-	-	-
Reversal of provision for non-recovery no longer required*	-	-	1,060	2,489
Reversal of recoverable amount write down - investments in controlled entities *	-	-	-	4,587
Other	139	33	-	-
	<u>4,966</u>	<u>337</u>	<u>1,060</u>	<u>7,076</u>
Total revenue	<u>21,739</u>	<u>14,994</u>	<u>1,060</u>	<u>7,076</u>

* The reversal of provision for non-recovery no longer required relates to the reversal of part of the provision for non-recovery of amounts owing by controlled entities following a reassessment of the controlled entities' net assets at 30 June 2004 and 30 June 2005. Similarly, the reversal of recoverable amount write down relating to investments in controlled entities has been recognised on reassessment of the controlled entities' net assets. This reassessment followed revaluation of certain of the controlled entities' underlying net assets in 2004.

3. Profit/(loss) from ordinary activities

Profit/(loss) from ordinary activities before income tax has been determined after:

Cost of sale of goods	6,898	7,953	-	-
Borrowing costs				
- Lease finance charges	16	12	-	-
- Amortisation of loan establishment costs	83	46	-	-
- Interest paid/payable - other persons	1,974	771	-	-
	<u>2,073</u>	<u>829</u>	-	-
Depreciation				
- Buildings	107	115	-	-
- Plant and equipment	147	186	-	-
Amortisation				
- Leased assets	36	36	-	-
- Intangibles	3	2	-	-
Operating lease rentals – minimum lease payments	240	241	-	-

Significant item

Sale of Imperial Hotel

Revenue - proceeds on sale	4,474	-	-	-
Expense - carrying amount of assets sold	(3,680)	-	-	-
- disposal costs	(26)	-	-	-
Net gain on sale of Imperial Hotel	<u>768</u>	-	-	-

Notes to the financial statements

for the year ended 30 June 2005

(continued)

4. Income tax expense	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Profit/(loss) from ordinary activities before income tax expense	2,138	(836)	1,060	7,076
Income tax calculated at 30% (2004: 30%)	641	(250)	318	2,123
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)	-	-
Reversal of provision for non-recovery of amount owing by controlled entities	-	-	(318)	(746)
Reversal of recoverable amount writedown – investments in controlled entities	-	-	-	(1,377)
Other items	(21)	(16)	(9)	-
	597	6	(9)	-
Future income tax benefit from prior years recognised/recouped	(106)	(6)	-	-
Income tax expense attributable to profit/(loss) from ordinary activities before impact of tax consolidation	491	-	(9)	-
Profit/(loss) from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)			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			(12)	(16)
			606	6
Future income tax benefit from prior years recognised/recouped			(106)	(6)
Income tax expense – tax consolidated group (excluding parent entity)			500	-
Income tax expense relating to ordinary activities	491	-	491	-
Estimated potential future income tax benefit relating to tax losses and timing differences not booked	60	1,853	60	1,853

As noted above the consolidated entity disclosed an unbooked estimated potential future income tax benefit of \$1,853,000 at 30 June 2004. Due, at least in part, to recent events most of this benefit apart from that recognised in the 2005 year as noted above, is unlikely to be utilised by the consolidated entity. The directors are, however, investigating this matter to determine whether part of this unrecognised benefit can be used to reduce the 2005 recorded current tax liability.

A future income tax benefit will only 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; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

4. Income tax expense (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 accounting policy on accounting for tax consolidation is set out in note 1(o). Due to tax loss positions of Eumundi Group Limited and its wholly-owned Australian controlled entities as at 1 July 2003 and 30 June 2004 (giving rise to unrecognised future income tax benefits as noted above) the implementation of the tax consolidation legislation had no effect on the Statements of Financial Performance and Financial Position at that time. The impact on the income tax expense for the current year is disclosed above.

The entities in the tax consolidated group have not entered into tax sharing and funding agreements at this time.

Franking credits	Parent Entity	
	2005	2004
	\$'000	\$'000
Franking credits available for subsequent financial years	533	-

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

- (i) Franking credits that will arise from the payment of the current tax liability;
- (ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (iii) Franking credits that may be prevented from being distributed in subsequent financial years.

Franking credits of \$nil were transferred from wholly-owned entities to the parent entity at the time these entities entered the tax consolidated group at 1 July 2003.

5. Current assets – cash assets	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Cash at bank	1,911	866	-	-
Cash on hand	139	156	-	-
	2,050	1,022	-	-

6. Current assets – receivables

Trade accounts receivable	34	225	-	-
Other debtors	180	128	-	-
	214	353	-	-

Other debtors (current and non-current – see note 10) include:

- amounts owing by employees of \$Nil (2004: \$14,000) relating to remuneration paid in advance; and
- amounts owing by Carlton and United Beverages Ltd of \$885,000 (2004: \$964,000), being the proceeds from termination of a brewing contract. The 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. The receivable will be settled by way of a further 7 annual installments of \$150,000 per annum ending on 1 November 2011.

7. Current assets – inventories

Finished goods – at cost	764	1,187	-	-
--------------------------	-----	-------	---	---

8. Current assets – other financial assets

Shares in listed companies – at recoverable amount	41	41	-	-
--	----	----	---	---

Notes to the financial statements
for the year ended 30 June 2005
(continued)

9. Current assets – other assets	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Short term deposits	10	20	-	-
Prepayments	289	375	-	-
	<u>299</u>	<u>395</u>	<u>-</u>	<u>-</u>
10. Non- current assets – receivables				
Other debtors	779	865	-	-
Amounts owing from controlled entities	-	-	16,515	14,373
Provision for non-recovery	-	-	(9,290)	(10,350)
	<u>779</u>	<u>865</u>	<u>7,225</u>	<u>4,023</u>
Other debtors – refer note 6.				
11. Non- current assets – property, plant and equipment				
Freehold land				
At directors' valuation – 2004	-	8,275	-	-
At directors' valuation – 2005	7,025	-	-	-
	<u>7,025</u>	<u>8,275</u>	<u>-</u>	<u>-</u>
Buildings				
At directors' valuation – 2004	-	3,700	-	-
At directors' valuation – 2005	3,733	-	-	-
	<u>3,733</u>	<u>3,700</u>	<u>-</u>	<u>-</u>
Plant and equipment				
At cost	1,597	2,033	-	-
Less accumulated depreciation	(1,137)	(1,480)	-	-
	<u>460</u>	<u>553</u>	<u>-</u>	<u>-</u>
Plant and equipment under finance lease				
At cost	105	248	-	-
Less accumulated amortisation	(52)	(68)	-	-
	<u>53</u>	<u>180</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>11,271</u>	<u>12,708</u>	<u>-</u>	<u>-</u>

Potential capital gains tax has not been taken into account in determining the valuation amounts. If the property was sold for its revalued amount the potential capital gains tax would be in the order of \$1,940,000 (2004: \$1,750,000).

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.

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

At 30 June 2004 the directors assessed the fair value of land and buildings on the basis of an independent valuation carried out by Burgess Rawson (registered property valuers). The valuation was based on market value on a going concern basis.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

11. Non- current assets – property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Consolidated	Freehold		Plant and Equipment		Total \$'000
	Land \$'000	Buildings \$'000	Owned \$'000	Leased \$'000	
Carrying amount at 1 July 2004	8,275	3,700	553	180	12,708
Additions	-	53	212	-	265
Disposal – Imperial Hotel	(2,750)	(256)	(152)	(83)	(3,241)
Disposal – other	-	-	(14)	-	(14)
Revaluation increments	1,500	343	-	-	1,843
Transfer from lease	-	-	8	(8)	-
Depreciation / amortisation	-	(107)	(147)	(36)	(290)
Carrying amount at 30 June 2005	7,025	3,733	460	53	11,271

Parent Entity

The parent entity holds no property, plant and equipment.

12. Non- current assets – investment properties

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investment properties – at directors' valuation	29,770	29,770	-	-

Valuations of investment properties

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.

Investment properties comprise the Sunnybank Hills and Aspley hotels/shopping centres. These properties were acquired in March 2004 for \$29.77 million (being the purchase price) plus acquisition costs of approximately \$1.2 million which included stamp duty, legal fees and other ancillary costs. At the time of acquisition, independent valuations were carried out by Knight Frank (registered property valuers) for finance purposes on behalf of the company's lender. The properties were independently valued at market value, based on the capitalisation of net income, at \$28.5 million. The directors considered the independent valuations which the directors believe were conservative having regard to a favourable hotel lease. However, the directors decided to write-down the carrying value of investment properties to the original purchase cost (\$29.77 million) as their assessment of the properties' fair value given that the properties had only been recently purchased in an arms length transaction.

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

Leasing arrangements

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

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	2,772	2,862	-	-
Later than one year but not later than five years	9,268	9,924	-	-
Later than five years	8,185	10,301	-	-
Total	20,225	23,807	-	-

Notes to the financial statements

For the year ended 30 June 2005

(continued)

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
13. Non- current assets – deferred tax assets				
Future income tax benefit	42	-	42	-

14. Non- current assets – intangible assets

Hotel licenses – at cost	104	110	-	-
Less accumulated amortisation	(15)	(12)	-	-
	89	98	-	-

15. Non- current assets – other financial assets

Shares in controlled entities (unlisted) at recoverable amount *	-	-	4,587	4,587
Shares in unlisted companies at recoverable amount	64	50	-	-
	64	50	4,587	4,587

* Refer note 32.

16. Non- current assets – other assets

Loan establishment costs	282	282	-	-
Less accumulated amortisation	(129)	(46)	-	-
	153	236	-	-
Other	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.

17. Current liabilities - payables

Trade accounts payable (unsecured)	992	1,496	-	-
------------------------------------	-----	-------	---	---

18. Current liabilities – interest bearing liabilities

Secured

Bank overdraft	-	70	-	-
Commercial bills	1,250	4,400	-	-
Finance lease liabilities	28	67	-	-
	1,278	4,537	-	-

Refer to note 22 for details of security.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19. Current liabilities – current tax liability				
Income tax payable	533	-	533	-
20. Current liabilities – provisions				
Employee benefits	112	128	-	-
21. Current liabilities – other				
Unearned income	-	139	-	-
22. Non- current liabilities – interest bearing liabilities				
<i>Secured</i>				
Commercial bills	24,500	27,850	-	-
Finance lease liabilities	-	91	-	-
	24,500	27,941	-	-

Details of security

- (a) Bank overdraft and commercial bills are wholly secured by way of:
- i) Registered mortgage debenture over the assets and undertakings of the consolidated entity;
 - ii) Unlimited fully interlocking guarantee by Eumundi Group Limited, Eumundi Brewing Company Pty Ltd and Eumundi Group Hotels Pty Ltd; and
 - iii) First registered mortgage over the property, plant and equipment and investment properties of the consolidated entity.

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

Assets Pledged as Security

All assets of the consolidated entity are pledged as security for the facilities as noted above.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
23. Non- current liabilities – provisions				
Employee benefits	15	8	-	-

Notes to the financial statements

For the year ended 30 June 2005

(continued)

24. Contributed equity	Parent Entity		Parent Entity	
	2005	2004	2005	2004
	Number of Shares	Number of Shares	\$'000	\$'000
Issued shares				
Fully paid ordinary shares	84,331,609	68,341,946	12,969	10,827

Movements in share capital

Date	Details	Number of Shares	Issue Price	\$'000
1 July 2003	Balance	56,925,754		9,293
29 June 2004	Issued pursuant to the share purchase plan	11,416,192	14¢	1,598
	Share issue costs	-		(64)
30 June 2004	Balance	68,341,946		10,827
16 July 2004	Issued pursuant to a share placement	15,989,663	14¢	2,239
	Share issue costs	-		(97)
30 June 2005	Balance	84,331,609		12,969

All shares issued in 2005 and 2004 were issued for cash.

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

Options

As at 30 June 2005, there were no options to purchase ordinary shares in the parent entity.

25. Reserves	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Asset revaluation reserve	6,821	6,700	-	-
<i>Movements in reserves:</i>				
Balance at the beginning of the year	6,700	-	-	-
Increment on revaluation of assets:				
- Freehold land	1,500	4,699	-	-
- Buildings	343	2,001	-	-
	1,843	6,700	-	-
Transfer to accumulated losses for realised gain on Imperial Hotel	(1,722)	-	-	-
Balance at the end of the year	6,821	6,700	-	-

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(e). 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.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

26. Accumulated losses	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accumulated losses at the beginning of the financial year	(4,937)	(4,101)	(2,217)	(9,293)
Net profit / (loss)	1,647	(836)	569	7,076
Transfer from asset revaluation reserve	1,722	-	-	-
Accumulated losses at the end of the financial year	(1,568)	(4,937)	(1,648)	(2,217)

27. Notes to the statements of cash flows

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

Profit/(loss) from ordinary activities after income tax	1,647	(836)	569	7,076
Depreciation and amortisation	293	339	-	-
(Gain)/loss on sale of property, plant and equipment excluding Imperial Hotel	(3)	17	-	-
Decrement on revaluation of investment properties to fair value	-	1,217	-	-
Gain on sale of Imperial Hotel	(768)	-	-	-
Disposal costs	(26)	-	-	-
Reversal of provision for non-recovery no longer required	-	-	(1,060)	(2,489)
Reversal of recoverable amount write down – investments in controlled entities	-	-	-	(4,587)
Changes in operating assets and liabilities (net of assets sold):				
(Increase)/decrease in:				
Trade accounts receivable	191	(215)	-	-
Other debtors	34	84	-	-
Other assets	84	(244)	-	-
Future income tax benefit	(42)	-	(42)	-
Inventories	(1)	(228)	-	-
Prepayments	86	(249)	-	-
Increase/(decrease) in:				
Trade accounts payable	(504)	374	-	-
Income tax payable	533	-	533	-
Other liabilities	(139)	139	-	-
Employee benefits	(9)	30	-	-
Cash flows from operating activities	1,376	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) by means of finance lease.

(iii) Reconciliation of cash

For the purposes of the statements 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 year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash assets	2,050	1,022	-	-
Bank overdraft	-	(70)	-	-
	2,050	952	-	-

Notes to the financial statements

For the year ended 30 June 2005

(continued)

27. Notes to the statements of cash flows (continued)

(iv) Financing arrangements

	2005 Used \$'000	2005 Unused \$'000	2004 Used \$'000	2004 Unused \$'000
Consolidated				
Commercial bills	25,750	-	32,250	-
Finance lease liabilities	28	372	158	242
Bank overdraft	-	100	70	30
Parent entity	-	-	-	-

Bank overdraft

Standby funds provided by the consolidated entity's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2004: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

Commercial bills

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

Amount Drawn		Interest Rate		Interest type	Expiry Date	Repayment Terms
2005 \$'000	2004 \$'000	2005 %	2004 %			
450	2,750	6.8	7.0	Variable	30/4/06	Quarterly principal payments of \$50,000
15,800	16,000	7.1	7.1	Fixed	30/3/09	Quarterly principal payments of \$200,000 commencing at 30/6/05
9,500	9,500	6.8	6.6	Variable	31/7/07	Interest only until expiry
-	4,000	-	6.8	Variable	31/3/05	Interest only until expiry
<u>25,750</u>	<u>32,250</u>					

The term of the \$9,500,000 bill was extended from 31/7/05 during the current year.

Finance lease liabilities

The consolidated entity has a lease finance facility of \$400,000 (2004: \$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.

(v) Sale of Imperial Hotel

During January 2005 the consolidated entity sold the Imperial Hotel. Details of the sale are as follows:

	Consolidated	
	2005 \$'000	2004 \$'000
Consideration – cash	<u>4,474</u>	-
Less carrying amount of assets sold		
Freehold land	2,750	-
Buildings	256	-
Plant and equipment	235	-
Licence	6	-
Inventories	424	-
Other	9	-
Carrying amount of assets sold	<u>3,680</u>	-
Disposal costs	26	-
Gain on sale of Imperial Hotel	<u>768</u>	-

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

Notes to the financial statements

For the year ended 30 June 2005

(continued)

28. Earnings per share	Consolidated	
	2005	2004
Basic earnings per share (loss)	1.97¢	(1.5)¢
Diluted earnings per share (loss)	1.95¢	(1.5)¢
	Number of Shares	
Weighted average number of ordinary shares and potential ordinary shares used in calculating basic earnings per share	83,630,692	56,956,946
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	84,506,225	56,956,946
Weighted average number of ordinary shares used in calculating basic earnings per share	83,630,692	56,956,946
Effect of dilutive securities – options	875,533	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>84,506,225</u>	<u>56,956,946</u>

Information relating to the calculation of basic and diluted earnings per share is as follows:

- Earnings for the purpose of the calculation of basic earnings per share is the net profit/ (loss).
- Earnings for the purpose of the calculation of diluted earnings per share is also the net profit/ (loss).
- Options granted are considered to be potential ordinary shares and have been taken into account in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to options are set out in note 29.
- In the circumstances of the consolidated entity, the options are considered dilutive and are therefore are used in the calculation of diluted earnings per share.

29. Director and executive disclosures**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. B D Weller	Non-Executive (Resigned 27 August 2004)
Mr. V A Wills	Non-Executive (Appointed 1 September 2004)

Specified executives

The following persons were executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name	Position	Employer entity
Mr. S Coxon	Chief Executive Officer (Resigned 25 February 2005)	Eumundi Brewing Company Pty Ltd
Mr. A Moffat	Chief Executive Officer (Appointed 1 June 2005)	Eumundi Brewing Company Pty Ltd
Ms. L. Stanley	Company Secretary (Appointed 28 November 2004)	Eumundi Brewing Company Pty Ltd

There were no other specified executives during the current or prior year.

Remuneration of directors and executives

Details relating to remuneration of directors and executives are included in the Remuneration Report within the Directors' Report.

29. Director and executive disclosures (continued)

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

During the financial year, no options were granted as equity compensation benefits or vested.

Shares provided on exercise of remuneration options

During the financial year, no shares were issued on exercise of remuneration options.

Option holdings

The number of options over ordinary shares in the parent entity held during the financial year by the directors and specified executives of the consolidated entity, including their personally-related entities, is set out below.

	Balance at 1/7/04	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at 30/6/05
Specified Executives					
S Coxon	2,500,000	-	-	(2,500,000)	-

No directors or other specified executives of the consolidated entity held options during the financial year.

The above options were issued to the executive officer in December 2001. The options were granted for no consideration and lapsed without vesting when the executive ceased to be an employee of the consolidated entity on 25 February 2005. Options granted carried no dividend or voting rights. When exercisable, each option was convertible to one ordinary share. No remuneration expense was recognised at the time of granting options.

Share holdings

The numbers of ordinary shares in the parent entity held during the financial year by each director of Eumundi Group Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

	Balance at 1/7/04 or Date of Appointment	Granted as Remuneration	On Exercise of Options	Allocation from Common Entities	Net Change Other	Balance Upon Resignation	Balance at 30/6/05
Directors							
J M Ganim	12,754,242	-	-	3,323,044	(255,594)	-	15,821,692
G De Luca	5,220,068	-	-	3,323,043	(46,400)	-	8,496,711
V A Wills	-	-	-	-	16,857	-	16,857
B D Weller	3,594,614	-	-	-	-	(3,594,614)	-
Common entities*	13,292,173	-	-	(13,292,173)	-	-	-
Specified Executives							
S Coxon	210,000	-	-	-	(210,000)	-	-
A Moffat	-	-	-	-	-	-	-
L Stanley	-	-	-	-	-	-	-

* Shares held by entities which are under joint or several control or significant influence of JM Ganim, G De Luca and BD Weller. During the year the shares held by the common entities were transferred to the shareholders or the other personally-related entities.

Loans to directors and executives

There were no loans to directors or the specified executives during the current or previous reporting period.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

29. Director and executive disclosures (continued)**Other transactions with directors and specified executives****Directors**

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

Weller Hotel Group of entities (controlled by BD Weller) -

- During a prior year the consolidated entity entered into a management agreement with the Weller Hotel Group in relation to the management of the Ashmore Tavern. Management fees paid/payable by the consolidated entity have been charged under the management agreement and are under normal commercial terms and conditions.
- The consolidated entity purchased various goods/services from the Weller Hotel Group. All transactions were under normal commercial terms and conditions. These services consist of -
 - Purchased trading stock or inventory items;
 - Provision of bookkeeping services; and
 - Purchase of plant and equipment.
- The consolidated entity was reimbursed for the costs of shared advertising and promotion it incurred on behalf of the Weller Hotel Group.
- To obtain the benefits of bulk purchasing power of the Weller group, Eumundi Group Hotels Pty Ltd (previously Imperial Hotel Eumundi Pty Ltd), a controlled entity, purchased trading stock from suppliers on commercial terms and conditions negotiated between those suppliers and entities related to BD Weller. On information available the directors believe these dealings were at arm's length or no less favourable to the consolidated entity.

Specified executives

Stanley Yeates & Associates, a firm of chartered accountants, of which L Stanley is a partner, provides accounting and administration services to the consolidated entity under normal commercial terms and conditions. The firm also provides office space for the use of the chief executive officer.

No other transactions were undertaken between the consolidated entity and the specified executives during 2004 and 2005 other than under the employer/employee relationship.

	2005	2004
	\$	\$
Amounts recognised as expense		
Legal fees (JM Ganim)	67,124	36,187
Inventory purchases (BD Weller, JM Ganim, G De Luca)	-	298
Management fees (BD Weller)	19,678	117,359
Bookkeeping services and other contractors fees (BD Weller)	2,182	10,435
Accounting and administration services (L Stanley)	32,420	-
Serviced offices (L Stanley)	10,416	-
Other purchases (BD Weller)	-	4,768
	<u>131,820</u>	<u>169,047</u>
Amounts recognised as revenue		
Advertising and promotion reimbursement (BD Weller)	<u>12,075</u>	<u>54,032</u>
Amounts recognised as non-current assets		
Plant and equipment purchases (BD Weller)	-	7,909
Legal fees included in other assets (JM Ganim)	1,391	23,274
Legal fees included in investment properties acquisition costs (JM Ganim)	-	96,996
	<u>1,391</u>	<u>128,179</u>
Amounts recognised in equity		
Legal fees included in transaction costs (JM Ganim)	<u>3,952</u>	<u>19,543</u>
Aggregate amounts receivable/payable arising from the above types of transactions		
- current receivables	2,325	7,691
- current liabilities	1,976	50,698

Eumundi Group Limited & Controlled Entities
(formerly Eumundi Brewing Group Limited)

Notes to the financial statements

For the year ended 30 June 2005

(continued)

30. Auditor's remuneration	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
During the year, the auditor of the parent entity and its related practices earned the following remuneration:				
Johnston Rorke (current auditor)				
Audit or review of financial reports	41,000	21,000	41,000	21,000
Other services – advisory	-	4,900	-	4,900
	41,000	25,900	41,000	25,900
Taxation services	8,950	-	8,950	-
Total remuneration – Johnston Rorke	49,950	25,900	49,950	25,900
PKF (previous auditor)				
Advisory services	-	21,350	-	-
Total remuneration – PKF	-	21,350	-	-

Johnston Rorke were appointed auditors after ASIC granted consent for the resignation of PKF as auditors on 27 January 2004.

Advisory services provided by PKF relates to review of monthly accounts, general accounting and tax advice in the period up until ASIC granted consent to their resignation as auditors on 27 January 2004.

31. Related parties

Directors and Specified Executives

Disclosures relating to directors and specified executives are set out in note 29.

Wholly-Owned Group

Transactions between Eumundi Group Limited and other entities in the wholly-owned group during the years 2005 and 2004 consisted of:

- The parent entity advanced loans to other entities in the wholly-owned group. The loans are interest free, unsecured and with no fixed repayment terms – refer note 10.
- The parent has provided for non-recovery of certain amounts owing by controlled entities – refer note 10.
- 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 parent entity and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003 – refer notes 1(o) and 4.

The above transactions were made on commercial terms and conditions unless otherwise stated.

Ultimate Parent Entity

The ultimate parent entity is Eumundi Group Limited.

32. Investments in controlled entities

Name of Entity	Country of Incorporation	Percentage of shares held		Carrying value of parent entity's investment	
		2005	2004	2005 \$'000	2004 \$'000
Eumundi Brewing Company Pty Ltd	Australia	100%	100%	-	-
Eumundi Group Hotels Pty Ltd (formerly Imperial Hotel Eumundi Pty Ltd)	Australia	100%	100%	4,587	4,587
Airlie Beach Lagoon Hotel Pty Ltd	Australia	100%	100%	-	-
				4,587	4,587

In prior years the investments in controlled entities were fully written down. The write-off of the investment in Imperial Hotel Eumundi Pty Ltd was reversed in 2004 following a reassessment of that controlled entity's net assets – refer note 2.

**Eumundi Group Limited & Controlled Entities
(formerly Eumundi Brewing Group Limited)**

Notes to the financial statements

For the year ended 30 June 2005

(continued)

33. Employee benefits	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee benefit and related on-cost liabilities included in:				
<i>Current:</i>				
Trade accounts payable	30	24	-	-
Provision for employee benefits	112	128	-	-
<i>Non-current:</i>				
Provision for employee benefits	15	8	-	-
	<u>157</u>	<u>160</u>	-	-
Number of employees at the end of the financial year	<u>36</u>	<u>45</u>	-	-

34. Commitments for expenditure

Operating leases

Minimum lease payments under non-cancellable operating leases are payables as follows:

Not later than one year	143	178	-	-
Later than one year and not later than five years	226	392	-	-
	<u>369</u>	<u>570</u>	-	-

Leases relate to the rental of retail premises to conduct offsite business of the consolidated entity's hotel operations. The leases are subject to annual CPI adjustments or fixed rate rental increases. In addition to the non-cancellable leases, certain premises are leased on a month to month tenancy basis. Options exist at the end of the leases for the leases to be renewed.

Finance leases

Finance lease commitments are payable as follows:

Not later than one year	36	77	-	-
Later than one year and not later than five years	-	101	-	-
Minimum lease payments	36	178	-	-
Less future finance charges	(8)	(20)	-	-
	<u>28</u>	<u>158</u>	-	-

Representing lease liabilities:

Current (note 18)	28	67	-	-
Non-current (note 22)	-	91	-	-
	<u>28</u>	<u>158</u>	-	-

The consolidated entity has acquired gaming machines and one motor vehicle by means of finance leases.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

35. Segment information

Geographical segments

The consolidated entity operates predominantly in one geographic segment, being Australia.

Business segments

The consolidated entity operates predominantly in the following business segments:

Hotel operations - Operations comprise the operation of Imperial Hotel (sold January 2005) and Ashmore Tavern.

Investment - Operations comprise investment in commercial properties.

Primary reporting – business segments

	Hotel Operations \$'000	Investment \$'000	Total \$'000
2005			
Revenue			
Sales to customers outside the consolidated entity	13,411	3,286	16,697
Other income	4,876	-	4,876
Total segment revenue	18,287	3,286	21,573
Unallocated revenue			166
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 assets	255	-	255
Unallocated acquisitions			12
Total acquisitions			267
Depreciation and amortisation	283	-	283
Unallocated			10
Total depreciation and amortisation			293
Other non-cash expenses other than depreciation and amortisation	-	-	-

* includes gain on sale of Imperial Hotel of \$767,000

Notes to the financial statements

For the year ended 30 June 2005

(continued)

35. Segment information (continued)

	Hotel Operations \$'000	Investment \$'000	Total \$'000
2004			
Revenue			
Sales to customers outside the consolidated entity	13,688	859	14,547
Other income	359	-	359
Total segment revenue	<u>14,047</u>	<u>859</u>	<u>14,906</u>
Unallocated revenue			88
Total revenue			<u>14,994</u>
Results			
Segment results	865	(548)*	317
Unallocated revenue less unallocated expenses			(1,153)
Loss from ordinary activities before income tax			(836)
Income tax (expense)/benefit			-
Net loss			<u>(836)</u>
Assets			
Segment assets	16,063	30,084	46,147
Unallocated assets			692
Total assets			<u>46,839</u>
Liabilities			
Segment liabilities	1,402	177	1,579
Unallocated liabilities			32,670
Total liabilities			<u>34,249</u>
Other segment information			
Acquisitions of property, plant and equipment, intangibles and other non-current assets	412	31,025	31,437
Unallocated acquisitions			1
Total acquisitions			<u>31,438</u>
Depreciation and amortisation	331	-	331
Unallocated			8
Total depreciation and amortisation			<u>339</u>
Other non-cash expenses other than depreciation and amortisation	-	1,217	1,217

* includes decrement on revaluation of investment property

Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and accounting standard AASB 1005 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.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

36. Financial instruments

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 consolidated entity had no significant concentrations of credit risk from any single counterparty or group of counterparties with the exception of an amount of \$885,000 (2004: \$964,000) included in other debtors disclosed in notes 6 and 10.

Interest rate risk exposure

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

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

	Non Interest Bearing	Fixed interest rate maturing			Floating interest rate	Total	Weighted average effective interest rate
		1 year or less	1-5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2005							
Financial Assets							
Cash	139	-	-	-	1,911	2,050	3.6%
Trade accounts receivable	34	-	-	-	-	34	-
Other debtors	74	-	-	-	885	959	5.9%
Other financial assets	105	-	-	-	-	105	-
	<u>352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,796</u>	<u>3,148</u>	
Financial Liabilities							
Trade accounts payable	992	-	-	-	-	992	-
Commercial bills	-	800	15,000	-	9,950	25,750	7.0%
Finance lease liabilities	-	28	-	-	-	28	7.1%
	<u>992</u>	<u>828</u>	<u>15,000</u>	<u>-</u>	<u>9,950</u>	<u>26,770</u>	
Net financial assets/ (liabilities)	<u>(640)</u>	<u>(828)</u>	<u>(15,000)</u>	<u>-</u>	<u>(7,154)</u>	<u>(23,622)</u>	
2004							
Financial Assets							
Cash	156	-	-	-	866	1,022	3.6%
Trade accounts receivable	225	-	-	-	-	225	-
Other debtors	29	-	-	-	964	993	5.9%
Other financial assets	91	-	-	-	-	91	-
	<u>501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,830</u>	<u>2,331</u>	
Financial Liabilities							
Trade accounts payable	1,496	-	-	-	-	1,496	-
Bank overdraft	-	-	-	-	70	70	10.8%
Commercial bills	-	200	15,800	-	16,250	32,250	6.9%
Finance lease liabilities	-	67	91	-	-	158	7.1%
	<u>1,496</u>	<u>267</u>	<u>15,891</u>	<u>-</u>	<u>16,320</u>	<u>33,974</u>	
Net financial assets/ (liabilities)	<u>(995)</u>	<u>(267)</u>	<u>(15,891)</u>	<u>-</u>	<u>(14,490)</u>	<u>(31,643)</u>	

Notes to the financial statements

For the year ended 30 June 2005

(continued)

36. Financial instruments (continued)

The weighted average effective interest rate disclosed above is that for the interest bearing portion of the relevant class of the financial assets and financial liabilities.

Net fair value of financial assets and liabilities

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

Derivative financial instruments

The consolidated entity does not normally use derivative financial instruments.

37. Contingent liabilities and contingent assets

Contingent liabilities

The parent entity and consolidated entity had no material contingent liabilities at 30 June 2005.

Contingent asset

The consolidated entity has a minority (23.3%) interest in Airlie Beach Lagoon Holding 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 a 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 had incurred expenditure totaling \$116,000 (2004: \$114,000) in respect to the assets which has been capitalised (refer note 16).

38. Events occurring after reporting date

In September 2005 an unconditional contract was signed for the sale of the Sunnybank Shopping Centre for a sales price of \$15,300,000 with settlement set for 1 November 2005. The sale represents a net profit of approximately \$2,892,000 before disposal costs and tax.

In addition, Eumundi Group Limited executed a consultancy agreement which will result in an additional annual revenue of \$100,000 for a period of four years.

The financial effects of the above were not recognised as at 30 June 2005.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

39. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Set out below are the key areas which 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) on going 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.

Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		Parent Entity	
		30 June 2005 A \$'000	1 July 2004 B \$'000	30 June 2005 A \$'000	1 July 2004 B \$'000
Total equity under AGAAP		18,222	12,590	11,321	8,610
Adjustments to retained earnings (net of tax):					
Decrement on revaluation of buildings	(ii)	-	(478)	-	-
Recognition of deferred tax liability	(v)	(364)	(93)	-	-
		17,858	12,019	11,321	8,610
Adjustments to other reserves (net of tax):					
Decrement on revaluation of buildings	(ii)	-	478	-	-
Tax effect of revalued assets	(v)	(2,046)	(2,153)	-	-
Total equity under AIFRS		15,812	10,344	11,321	8,610

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.

Notes to the financial statements

For the year ended 30 June 2005

(continued)

39. Impacts of adopting Australian equivalents to IFRS (continued)

Reconciliation of net profit under AGAAP to that under AIFRS

	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2005 \$'000
Net profit as reported under AGAAP	1,647	569
Adjustment to income tax expense	(271)	-
Net profit under AIFRS	1,376	569

(i) Investment properties

Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value are recognised in net profit or loss, for the period in which they arise.

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 & 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 by AGAAP.

The effect of this change in policy is to transfer a decrement of \$478,000 (recognised in respect of the Imperial Hotel building and offsetting a greater increment on the Ashmore Tavern building) from the Asset Revaluation Reserve to accumulated losses at transition date (1 July 2004). This adjustment is not necessary in the 2005 financial year as the property was sold and the balance of the asset revaluation reserve in respect to the Imperial Hotel (comprising an increment on land of \$2,200,000 and decrement on building of \$478,000) was transferred to accumulated losses in the AGAAP accounts.

(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 the income on a straight-line basis over the lease term.

On transition to AIFRS on 1 July 2004, an asset is created representing the accumulated fixed rentals and is included as part of investment properties for disclosure purposes. This will be offset by an equal adjustment to ensure the investment properties remain at fair value.

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 income statement, however, this is once again 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.

39. Impacts of adopting Australian equivalents to IFRS (continued)

(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 further impairment of the consolidated entity's assets has been identified. The parent entity is still investigating the impact of AASB 136, if any, on its assets.

(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 (i.e. land and buildings) and its tax base can give rise to a deferred tax liability. The consolidated entity has estimated a deferred tax liability in relation to the land and buildings which is reflected in the reconciliation above. Other deferred tax liabilities arising from taxable temporary differences which are not recognised under AGAAP have also been included in the reconciliation above.

The consolidated entity has potential deferred tax assets mainly attributable to tax losses which arose in prior years. As disclosed in note 4, the consolidated entity is investigating its ability to utilise these tax losses. At this stage the outcome of this matter is unknown. Accordingly, the consolidated entity is still to determine the recognition of deferred tax assets under AASB 112.

The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. UIG 1052 *Tax Consolidation Accounting* requires wholly owned subsidiaries in the tax consolidated group to recognise their own tax balances directly with the current tax liability or asset to be assumed by the head entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements.

In transition to this interpretation, UIG 1052 requires that the entity adopt these accounting practices, as if they were in place from the time of the entity's entry into tax consolidation. The transitional effect will be that the group will reinstate the deferred tax balances of the subsidiaries to the subsidiary accounts and derecognise deferred tax balances in the head entity.

The consolidated entity is yet to assess the remaining impacts which relate to whether transactions will be recognised as contributions/distributions or through intercompany accounts. This will be dependant upon whether or not a tax funding agreement is put in place.

(vi) Financial instruments

The consolidated entity has elected to apply the first-time adoption exemption to defer the date of transition to 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.

(vii) Format of financial statements

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

Directors' declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations 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.

The directors have been given the declarations by the chief executive officer and chief financial officer 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 30th day of September, 2005.

Independent Audit Report to Members of Eumundi Group Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Eumundi Group Limited (the company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, under the heading "remuneration report" in pages 10 to 11 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the company would be in the same terms if provided to the directors as at the date of this audit report.

Audit Opinion

In our opinion:

1. the financial report of Eumundi Group Limited is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia; and
2. the remuneration disclosures that are contained in pages 10 to 11 of the directors' report comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

JOHNSTON RORKE
Chartered Accountants



RCN WALKER
Partner

Brisbane, Queensland
30 September 2005

Shareholder information

The shareholder information below was applicable as at 31 August 2005.

A. Distribution of Equity Securities

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

	Ordinary Shares
1 – 1,000	134
1,001 – 5,000	590
5,001 – 10,000	310
10,001 – 100,000	330
100,001 and over	98
	1,462

There are 296 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. TW Hedley (Investments) Pty Ltd	12,454,264	14.77%
2. De Luca Group Superannuation Fund – De Luca Group Super Fund	6,204,792	7.36%
3. Ganbros Pty Ltd	4,902,693	5.81%
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. Mr. Robert & Mrs. Jennifer Ferguson - Torryburn Super Fund	1,430,000	1.70%
9. Mr. J M Ganim	1,326,400	1.57%
10. Natpac Financial Services Pty Ltd - Robert Blann Superfund	1,158,932	1.37%
11. Chriswell Pty Ltd – Christine Weller Family Account	1,107,681	1.31%
12. Dreamtouch Pty Ltd – Brian Weller Family Account	1,107,681	1.31%
13. Nipruma Pty Ltd – Kim Weller Family Account	1,107,681	1.31%
14. Mrs. Tracy Fraser	1,000,000	1.19%
15. ANZ Nominees Limited - Cash Income Account	994,204	1.18%
16. Merrill Lynch (Australia) Nominees Pty Ltd – BPB Account	978,054	1.16%
17. Hatfree Pty Ltd - Freeman Super Fund	917,500	1.09%
18. Archer Management Pty Ltd – Archer Super Fund	822,378	0.98%
19. Atkone Pty Ltd	750,000	0.89%
20. Ruminator Pty Ltd	750,000	0.89%
	50,697,373	60.12%

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
TW Hedley (Investments) Pty Ltd	12,454,264	14.77%
De Luca Group Superannuation Fund	6,204,792	7.36%
Ganbros Pty Ltd	4,902,693	5.81%
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.