
EUMUNDI GROUP LIMITED ABN 30 010 947 476
Annual report – 30 June 2008

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Corporate directory

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

CHAIRMAN'S ADDRESS

REVIEW OF OPERATIONS

Eumundi Group has performed well in a challenging market, delivering a net profit after tax of \$1.863 million for the 2007/08 year.

After delivering a strong result for the six months to December 2007, the second half of the year proved more difficult, with sustained deterioration in market conditions, prolonged volatility of global financial markets and increased cost of capital putting pressure on the Australian economy.

The timing and magnitude of these events caught Eumundi somewhat by surprise. We did anticipate that property values would plateau after several years of remarkable growth and that the economy would suffer a decline after such prolonged and immense growth. Cap rates of 6% and sometimes credibly under could not be sustained. We did not anticipate the speed and extent with which the decline would come which was accelerated by the US sub-prime market crash and its very serious impact on the cost of capital, resulting in the loss of confidence in the economy by business and consumers alike.

Eumundi Group has consistently taken a conservative position, adopting a lower risk profile in preference to chasing unsustainably high returns. As a result Eumundi Group has weathered the financial storm of the past year better than a number of aggressive and high profile companies. Our prior years strategy of investing in quality income producing assets, and minimising debt as best we can (given our aim of increasing our quality property portfolio) has provided a much needed buffer in what has proven to be difficult times and with current market sentiment will continue for some time.

The level of interest bearing borrowings is however higher in 2007/08 than it has been, with the redevelopment in-progress on the Group's shopping centre investment property at Banksia Beach, Bribie Island, following the very strategic acquisition of the Aspley Arcade Shopping Centres in June 2007 and Keendove Holdings Pty Ltd (Punch Joseph) in July 2007, and the selective buyback of Axiom Properties shareholding in February 2008. Interest bearing debt now equates to 57.89% of property assets as compared to 54.30% in the prior year.

The current year's net profit after tax of \$1.863 million for the 2007/08 year is down \$0.564 million from the \$2.427 million net profit in 2006/07. The prior year result included \$2.755 million in fair value increments on investment properties excluding the write down of acquisition costs of \$0.707 million for Aspley Arcade shopping centre, and the receipt of \$0.25 million from the early termination of the Murphy Hotel Management agreement.

The current result is also attributable largely to the value of the Group's investment properties which saw an increase on revaluation of \$1.377 million in spite of the subdued market. The global credit crisis has negatively impacted the investment property market with increased cost of funds and declining consumer confidence leading to softening of yields used to determine value.

The local property market has seen yields on prime quality investment properties move more than 0.25% between November 2007 and June 2008, resulting in lower property valuations. However there is no evidence at this time that the market has been overwhelmed with large numbers of investment properties being offered at fire-sale prices.

The fair value on revaluation increments of \$1.377 million are the result of improved rental returns on the Group's blue chip investments offsetting the valuation reductions attributable to yield movements.

The 2007/08 profit also includes the full year results of Aspley Arcade shopping centre, purchased 29 June 2007, and of Keendove Holdings, 90% ownership interest acquired 3 July

2007. The recovery of costs relating to the abandoned Airlie Beach Lagoon Hotel project in March 2008 added a further \$0.328 million to the result.

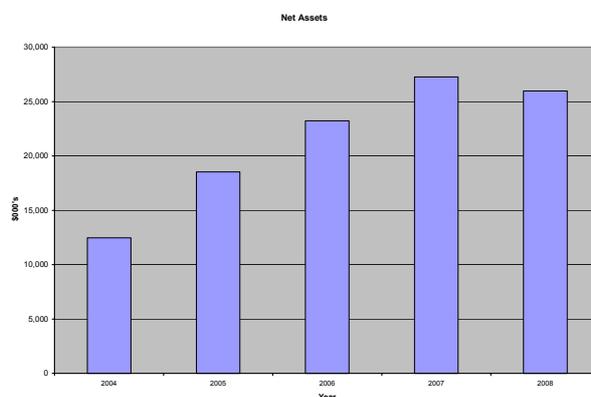
Revenues increased to \$18.789 million compared with last years total of \$15.522 million. After adjusting the prior years result for \$0.248 million for the termination of the Murphy consulting agreement, the revised 2006/07 revenues become \$15.274 million representing an increase of 21%. This increase is attributable mainly to the addition of Aspley Arcade Shopping Centre and Keendove Holdings property management revenues in the 2007/08 year.

In March 2008 the long standing management agreement with Weller Hotel Group, and with it the association with Champion Liquor, came to an end. At that time the Group's wholesale and retail liquor operations were relaunched under our own 'Quench Liquor' brand. Ashmore Tavern continues to perform well with growth of 12% in liquor sales and growth of 5% in gaming revenues in the 2008 year

Other income decreased by \$0.346 million from \$2.051 million in 2006/07 to \$1.705 million in the current year. Included in the 2006/07 result was fair value adjustment on investment properties due to revaluations of \$2.048 million, as compared to the fair value adjustment on investment properties due to revaluations \$1.377 million reported for the current year.

Expenses increased by \$3.732 million from \$14.116 million for 2006/07 to \$17.848 million for 2007/08. Compared to last year, additional expenses were incurred in relation to the Aspley Arcade Shopping Centre, and Keendove Holdings. Increased turnover at the Ashmore Tavern resulted in additional cost of sales of \$1.041 million. Employee costs increased \$0.624 million due to the acquisition of Keendove Holdings and also to the increased turnover at the Ashmore Tavern.

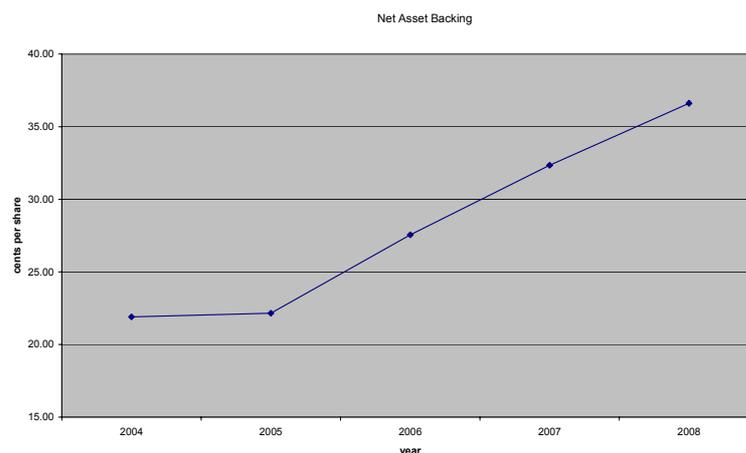
Higher interest rates and increased borrowings saw finance costs increase by \$1.276 million compared to the prior year. Since June 2007, average interest rates increased by 1.32% from 7.23% rising to 8.55% as at 30 June 2008 while increased borrowings were required to fund the acquisitions of Aspley Arcade Shopping Centre and the 90% interest in Keendove Holdings, and also to fund the selective share buy-back of shares from Axiom Properties Limited in February 2008.



Net assets attributable to members of Eumundi as at 30 June 2008 have decreased 4.7% from \$27.279 million to \$25.985 million due predominantly to the selective share buy-back of Axiom Properties Limited's 14,268,989 shareholding in February 2008 offsetting the issue of 912,225 shares as part consideration on the acquisition of Keendove Holdings Pty Ltd in July 2007.

The acquisition of the Axiom shareholding was considered a necessary and strategic move to eliminate what was continuing to be a thorn in the side of Eumundi, with recurrent takeover threats distracting the Group's valuable resources, both in personnel and funds, from the fundamental purpose of maximising shareholder wealth. Despite the necessary increase in borrowings and resulting interest cost to achieve the selective share buy-back, the board is

satisfied that the long term interest of remaining shareholders has been improved by this decision.



Net asset backing per share has increased from 32.3 cents per share to 36.6 cents per share an increase of 13.1% during the 12 month period continuing the favourable trend of the past 3 years.

SUBSEQUENT EVENTS

The Company has made two announcements subsequent to the end of the year under report, which related to the revaluation of investment properties as contained within this report, and the release of preliminary results.

FUTURE DIRECTION

Eumundi Group is prepared for a difficult year in 2008/09 with priorities including cost control, reduction of debt and the continued development and strengthening of existing assets. We will actively search for opportunities that the current environment may deliver across all facets of our business, but we are mindful that debt level must be contained to allow safe servicing if the economy continues to tighten, as will happen. The big question is, for how long? We view the answer to that is more marathon than sprint.

Through the expertise of high calibre professionals in each of our business sectors Eumundi Group has the capability to aggressively pursue a wide range of opportunities, with a particular emphasis on retail property acquisitions and development to further enhance our portfolio, but we will not do so unless any proposed deal can stand comfortably on its own.

The Ashmore tavern is continually refining its discount liquor retail strategies to maintain and further build market share while enhancing profitability from gross margin improvement and continued cost management initiatives. Continuing under the expert guidance of our long standing manager, Mr Jason Morphett, the Ashmore Tavern remains competitive. We are confident that management and staff of the Ashmore Tavern will once again deliver a good result despite significant local competition from high profile nationals such as First Choice and Dan Murphy's.

Redevelopment of the Banksia Beach shopping centre investment property is well advanced, with completion of the centre scheduled by December 2008. We are working very hard to lease the property up. Our existing property holdings are under constant review and exploration for possible redevelopment and improvement continues. The Board will not hesitate to take advantage of opportunities to trade assets where the offer will significantly improve the financial position of the group.

We are actively searching for mutually desirable strategic acquisitions. We will continue to pursue properties that may have been neglected or over looked for improvement and redevelopment, particularly those with a proven anchor tenant upon which the balance of

development can be grown. We are expanding our geographic cover to include growing coastal and regional centres as well as metropolitan growth areas.

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

CONCLUSION

The Directors look forward to the 2008/09 year with quiet confidence and remain committed to the continued growth of the Company through selective investment, both in the existing sectors and other areas where synergies are achievable such as the investment in Keendove Holdings. The majority acquisition of this successful property management company broadened the Group's opportunities within the highly active and lucrative property sector, complementing the existing investment property holdings while reducing risk to shareholders through diversification within the property market.

Eumundi Group has the capacity to respond quickly to appropriate opportunities within the property and hotel markets, and will consider other opportunities where the appropriate skills exist within the company to do so effectively. However, with economic uncertainty at a critical level, the Directors intend to adopt a very conservative approach until interest rates and the economy level to a stage whereby further investment opportunities can be undertaken safely.

Having said that, the directors have for some time considered that a strategic merger with a suitable and comparable size operation would accelerate the growth and potential (and value) of the company and the search continues, perhaps now in this economy with a better prognosis for success.

The Directors do not consider it appropriate to consider the payment of a dividend at this time with continued priority given to further building the Company's asset backing and ensure financial flexibility for acquisitions. We still have available tax losses of \$695,000 from the brewing operations which we will take up against the profits from future years. As previously indicated, once these tax losses have been utilised, and the company has built up a credible asset base, the payment of dividends will appear on the agenda.

The Board of Directors would like to thank all of our loyal and hard working staff but in particular Iain Thomson, our CEO, Suzanne Jacobi Lee, our CFO, Jason Morphett and his team at the Ashmore Tavern, and all the dedicated and professional staff at Punch Joseph and Associates.

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



J M Ganim
Chairman
25 September 2008

CHIEF EXECUTIVE OFFICER'S REPORT

REVIEW OF OPERATIONS AND ACTIVITIES

In a year of economic challenges, the group's investments have once again performed well.

The year has been one of consolidation. With the acquisition of Aspley Arcade shopping centres in June 2007 and Keendove Holdings Pty Ltd (trading as Punch Joseph & Associates) in July 2007, priority has been given in 2008 to the successful integration of these investments to maximise the long term performance of the Group.

Investment properties:

The impacts of sustained interest rate increases and diminished consumer confidence have been hardest felt in the retail property sector. Retail business operators are more reticent than in the past to establish new ventures at a time when so much uncertainty about the economic outlook and in particularly the impact of interest rate movements exists.

Aspley Central Shopping Centre

Aspley Central (excluding Tavern and Bottle Shop) returned a net profit before owner's expenses of \$853,000 which is slightly below the prior year due to the departure of one smaller tenant.

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

As at 30 June 2008, less than 2.5% of the centre was untenanted and only 3.35% will either expire or be subject to options between now and the end of June 2009. More than 87% of the lettable area in the Aspley Central shopping centre is secured for more than 2 years, with almost 60% secured for more than 5 years.

Aspley Arcade Shopping Centre

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

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

In its first full year, Aspley Arcade Shopping Centre has returned a net profit before owner's expenses of \$955,000.

As at 30 June 2008, the centre was fully leased. Based upon net lettable area, 60% of the total area is secured by lease for more than 5 years having recently undergone market reviews. Approximately 32% of leases will either expire or be subject to options in the next 12 months and a further 8% in the following year. The capital value of the centre will be further enhanced as rentals under these tenancies are reviewed to market.

Aspley Arcade was acquired for \$13,000,000 plus acquisition costs of \$707,000 representing an initial yield on acquisition of 6.8%. As a result of a number of anticipated rental reviews and lease renewals since acquisition, the recent independent valuation of the centre identified an increase on revaluation to \$14,150,000 despite softened yields.

Banksia Beach Shopping Village

The long awaited Banksia Beach redevelopment commenced in February 2008 and is well advanced. Completion is scheduled for late in calendar year 2008 and the anchor tenant, Cornett's Super IGA, has entered into an agreement for a new 15 year lease on their expanded tenancy. Specialty leasing interest for the centre has been strong, however the rate at which expressions of interest have converted to formal leases is slower than was originally anticipated due to market conditions.

The Banksia Beach property has returned a net profit before Owner's expenses of \$403,000 representing a decrease of \$37,000 compared to the prior year, with the decline predominantly attributable to the commencement of redevelopment works.

Home Hill:

The Home Hill investment property has returned a net profit before Owner's expenses of \$138,000 for its first full year. Acquired in January 2007 for \$1,450,000 plus acquisition costs, this result equates to a return of 9.51%, while the property was revalued in November to \$1,553,000.

Redevelopment plans have been deferred at this time in consideration of the economic environment.

Ashmore Tavern:

The Ashmore Tavern (which includes its 3 detached bottle shops) delivered a contribution of \$1,095,000 for 2007/08 year down \$43,000 on the \$1,138,000 recorded for the same period last year.

During the year, the Ashmore Tavern made some strategic changes as it relaunched retail and wholesale liquor operations under 'Quench Liquor' brand. Jason Morphett, manager of the Tavern since April 1996 has been instrumental in repositioning the Tavern since the long standing management agreement with the Weller Hotel Group came to an end in March 2008. The 2007/08 result was down slightly due to initial costs associated with this change.

The liquor retailing business continues to be highly competitive, with national supermarket chains further expanding into this market.

During 2008 further gaming machine upgrades were conducted with additional linked jackpot machine replacing underperforming stand alone equipment, delivering further improvements on prior results.

While the wholesale liquor and gaming revenues have provided growth, the tavern's bar facilities have suffered from a gradual decline in sales over the past few years, losing patrons to more modern venues. Refurbishment of the Tavern's bar facilities is considered key to reversal of this trend. Plans have been drawn up and the decision to proceed will be made at the time when the Group's other significant project, the Banksia Beach Shopping Village redevelopment has successfully completed, giving due consideration to prevailing market conditions at that time.

The Ashmore Tavern enjoys a prime location, situated in the midst of an established residential and commercial precinct, and upon completion the Tavern will become a destination of choice, with its' restaurant and bars upgraded to modern contemporary surroundings offering a quality dining experience.

Punch Joseph & Associates:

On 3rd July 2007 we acquired a majority shareholding in Keendove Holdings Pty Ltd, trading as Punch Joseph & Associates, a property management company with an enviable reputation for service quality provided to the owners of properties under management in Queensland.

During the first year, priority has been given to ensure the foundations of this investment are sound and ready for future growth while service to clients is maintained. With success in this industry determined by the quality of people, the professional and customer-focused team has been further enhanced by the recent appointments of an additional experienced property manager and lease administrator.

Since acquisition the portfolio has increased from 44 properties under management equating to an annual turnover of \$40 million through the trust account, to 49 properties with an annual \$50 million trust account turnover.

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

Future Direction:

Although the uncertain economic conditions have resulted in a slow down of activity across the property market, no more so than in the retail sector, we believe that Eumundi is in a good position to withstand such turmoil.

Whilst our fundamental view on how to expand the company's portfolio of quality property assets has not changed from previous years, we now more than ever very conscious of maintaining conservative gearing in these times.

Our intention is still to only seek quality assets that provide the opportunity to value add, whether the asset is under rented and the ability exists to increase rents, and or the opportunity exists to expand a particular asset, obviously any expansion would only be considered if there is a strong tenant demand.

These fundamentals will also be applied to any green-field development opportunity that would be considered, based on the current economic uncertainty and all time low business and consumer confidence, it is essential that there be strong demand from tenants, as well as a economic need within the surrounding catchment.

We believe that the longer the current market conditions prevail, the more likely that many outstanding investments and development opportunities will emerge.

ID Thomson
Chief Executive Officer

25 September 2008



Directors' report

In respect of the financial year ended 30 June 2008, the directors of Eumundi Group Limited submit the following report:

1. 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

2. Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) the operation of the Ashmore Tavern;
- (b) the holding of investment properties; and
- (c) the management of commercial, industrial and retail property.

3. Dividends – Eumundi Group Limited

No dividend was paid or declared by the company during or since the end of financial year ended 30 June 2008 (2007: \$nil).

4. Review of operations

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

- (a) Eumundi Group has delivered a net profit after tax of \$1.863 million (\$2.646 million before tax) compared with \$2.427 million after tax (\$3.457 million before tax) for the corresponding period in 2007. The current year result includes Keendove Holdings Pty Ltd property management revenues and expenses, proceeds attributable to recovery of costs associated with the abandoned Airlie Beach Lagoon Hotel project (\$0.328 million), and continued positive performance from existing operations. The prior year result included proceeds attributable to the early termination of the Murphy Hotel Management Consulting Agreement (\$0.248 million), and continued positive performance from existing operations.
- (b) Revenues of \$18.789 million represent an increase of \$3.267 million in comparison to last year predominantly due to the acquisition of the Aspley Arcade and Home Hill shopping centres, the acquisition of majority interest in Keendove Holdings Pty Ltd, and increased turnover from hotel operations.
- (c) Other income of \$1.705 million represents a decrease of \$0.346 million over the prior reporting period with fair value increments on the investment properties (\$1.377 million) and recovery of costs (\$0.328 million) included in the current year and fair value increments on the investment properties (\$2.048 million) included in the prior year.
- (d) Expenses for the year were \$17.848 million as compared to \$14.116 million for the corresponding period in 2007 with the increase partly due to additional interest on borrowings required to fund the Banksia Beach redevelopment and the selective share buy-back.

5. 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) Acquisition of 90% shareholding in Keendove Holdings Pty Ltd, a property management and advisory company.
- (b) Selective share buy-back of 14,268,989 shares for \$4,566,000 in February 2008.

Directors' report (continued)

6. Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since 30 June 2008 that have 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.

7. Likely developments and expected results of operations

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

- Redevelopment of Banksia Beach Shopping Centre which is targeted for completion in the 2008/09 year.
- Eumundi Group will continue to search for appropriate investment opportunities to expand and further improve our asset portfolio.

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

8. 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.

9. Information on directors

Joseph Michael Ganim – Non-executive chairman

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

Special Responsibilities:

Chairman
Member of the Audit Committee

Gilbert De Luca – Non-executive director

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

Special Responsibilities:

Member of the Audit Committee

Vernon Alan Wills – Non-executive director

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

Special Responsibilities:

Chairman of the Audit Committee.

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

Interests of directors

<i>Names of Directors</i>	<i>Ordinary Shares</i>	<i>Options</i>
J M Ganim	14,893,935	-
G De Luca	7,982,311	-
V A Wills	-	-

Directors' report (continued)

10. Information on company secretary

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

11. 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 2008, 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	12	12	2	2
G De Luca	12	11	2	2
V A Wills	12	12	2	2

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

12. Remuneration report

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

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

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

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

Executives

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

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

Compensation in the form of cash bonuses is designed to reward key management personnel for meeting or exceeding financial and non-financial objectives. There are no fixed performance criteria for bonuses nor are there any fixed bonuses. Rather during the year the board assesses the performance of individuals and where appropriate approves discretionary cash bonuses.

Non-executive directors

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

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive Director remuneration is determined within the aggregate Directors fee pool, which is periodically recommended for approval by shareholders. The latest determination was at the Annual General Meeting held on 24 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per annum. The actual amount paid during the financial year ended 30 June 2008 was \$160,000 (2007: \$127,700).

Relationship to company performance

There are no direct links between key management personnel remuneration and Group performance. Performance of the Group over the last five years is as follows:

	2004*	2005	2006	2007	2008
Profit after tax attributable to members (\$'000)	(836)	2,595	4,211	2,427	1,860
Dividends paid (\$'000)	-	-	-	-	-
Share price at end of year	14¢	17¢	22¢	31¢	22¢

During the 2008 year the company bought back 14,268,989 shares for \$4,566,000 (32 cents per share).

* 2004 profit after tax was determined in accordance with previous AGAAP.

Directors' report (continued)

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of Eumundi Group Limited and each of the key management personnel of the company and the consolidated entity who received the highest remuneration for the year ended 30 June 2008 are set out in the following tables.

	Short Term Cash salary and fees	Employee Cash Bonuses	Benefits Non-cash benefits	Post- employ- ment Benefits Super- annuation	Share- based Payment Options	Total
	\$	\$	\$	\$	\$	\$
2008						
<i>Directors</i>						
J M Ganim (Chairman – Non-executive)	55,046	-	-	4,954	-	60,000
G De Luca (Non-executive)	50,000	-	-	-	-	50,000
V A Wills (Non-executive)	45,872	-	-	4,128	-	50,000
Total	150,918	-	-	9,082	-	160,000
<i>Other Key Management Personnel</i>						
I Thomson (Chief Executive Officer)	181,193	-	4,767	16,307	-	202,267
L Stanley (Company Secretary)	15,000	-	-	-	-	15,000
S Jacobi-Lee (Chief Financial Officer)	150,993	-	-	13,590	-	164,583
Total	347,186	-	4,767	29,897	-	381,850
2007						
<i>Directors</i>						
J M Ganim (Chairman – Non-executive)	47,523	-	-	4,277	-	51,800
G De Luca (Non-executive)	32,936	-	-	2,964	-	35,900
V A Wills (Non-executive)	40,000	-	-	-	-	40,000
Total	120,459	-	-	7,241	-	127,700
<i>Other Key Management Personnel</i>						
I Thomson (Chief Executive Officer)	154,312	20,000	3,947	15,688	-	193,947
L Stanley (Company Secretary)	15,000	-	-	-	-	15,000
S Jacobi-Lee (Chief Financial Officer)	136,850	-	-	12,317	-	149,167
Total	306,162	20,000	3,947	28,005	-	358,114

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

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

C. Service agreements

I Thomson (Chief Executive Officer)

Mr Thomson receives a salary package of \$210,000 pa inclusive of superannuation, and 1 months notice is required in the event of termination. Payment upon termination consists of accrued entitlements and payment for a period of up to one month. Mr Thomson is engaged under a letter of appointment with no fixed term.

L Stanley (Company Secretary)

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

S Jacobi-Lee (Chief Financial Officer)

Ms Jacobi-Lee receives a salary package of \$170,000 pa inclusive of superannuation, and 1 months notice is required in the event of termination. Payment upon termination consists of accrued entitlements and payment for a period of up to one month. Ms Jacobi-Lee is engaged under a letter of appointment with no fixed term.

Directors' report (continued)

D. Share-based compensation

There have been no share based payment benefits, vested or exercised, granted as compensation during the year (2007: nil).

13. Shares under option

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

14. Shares issued on exercise of options

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

15. Insurance of officers

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

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

16. 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*.

17. Non-audit services

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

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

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

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

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

	Consolidated	
	2008	2007
	\$	\$
Johnston Rorke (current auditor)		
Audit services	46,500	45,000
Due diligence services	11,300	49,800
Taxation compliance services	18,100	12,200
Total remuneration – Johnston Rorke	<u>75,900</u>	<u>107,000</u>

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

Directors' report (continued)

18. Rounding of amounts

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

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



J M Ganim
Director

Dated at Brisbane this 25th day of September 2008.

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

Auditor's Independence Declaration

As lead engagement partner for the audit of the financial report of Eumundi Group Limited for the financial year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

JOHNSTON RORKE
Chartered Accountants



K. A. HAIDUK
Partner

Brisbane, Queensland
25 September 2008

Corporate governance statement

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

Introduction

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

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

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

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

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

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

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

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

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

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

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

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

In the 2008 year the Company did not comply fully with this recommendation. At the present time the Board is comprised of all Non-Executive Directors, one of whom is an Independent Director. For each Director, his qualifications, experience, special responsibilities, term in office and attendances at Board meetings are detailed in the Directors' Report. The Board believes it brings a wealth of relevant practical experience to the Company and they all have a significant vested interest in ensuring proper governance.

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

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

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

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

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

Recommendation 2.2: The Chairperson should be an independent director.

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

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

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

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

Recommendation 2.4: The Board should establish a nomination committee.

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Actively promote ethical and responsible decision-making

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

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

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

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

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

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

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

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

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

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

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

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

Recommendation 4.2: The Board should establish an Audit Committee.

The Company has an Audit and Risk Management Committee and the number of meetings of the Committee held during the 2008 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 2008 the Committee comprised Mr V.A. Wills, Mr J.M. Ganim and Mr G. De Luca. Audit Committee meetings are attended, by invitation, by the engagement partner (or their nominee) from the Company's external Auditor and such other senior staff or professional people as may be appropriate from time to time.

The Audit Committee of Eumundi Group does not fully comply with Principle 4.3 of the Recommendations as although the Audit Committee has a majority of non-executive Directors, an independent Chairperson who is not the Chairperson of the Board, and has three members it does not have a majority of independent directors in accordance with the definition of 'independence' as set out in the Recommendations.

Other than their interest as significant Company shareholders, the other committee members would be regarded as independent. The board is reluctant to incur additional expense of appointing a further director simply to achieve literal compliance with this recommendation

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

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

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

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

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

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

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

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

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

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

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Fairly review and actively encourage enhanced Board and management effectiveness

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

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

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

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

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

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

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

(i) the costs and benefits of those policies; and

(ii) the link between remuneration paid to Directors and key executives and corporate performance.

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

The Board remuneration policy is to ensure that remuneration packages properly reflect the person's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The current executive remuneration structure has two components; base pay and

benefits such as superannuation and motor vehicle allowances. Upon retirement the executives are paid employee benefit entitlements accrued to date of retirement.

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

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

Recommendation 9.2: The Board should establish a Remuneration Committee

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

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

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

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

There has been no equity-based executive remuneration in the current or prior year. A share option plan was approved by resolution of shareholders at a General meeting held on 8 February 2008. No options have been issued under the approved share option plan.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Recognise legal and other obligations to all legitimate stakeholders

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

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

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

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

Income Statements
For the year ended 30 June 2008

	Notes	Consolidated 2008 \$'000	2007 \$'000	Parent Entity 2008 \$'000	2007 \$'000
Revenue	5	18,789	15,522	776	1,690
Other income	6	1,705	2,051	-	-
Expenses					
Purchase of inventories		(7,190)	(6,332)	-	-
Changes in inventories		(482)	(299)	-	-
Employee benefits expense		(2,517)	(1,893)	-	-
Depreciation and amortisation		(586)	(294)	-	-
Insurance		(66)	(79)	-	-
Operating lease rentals		(272)	(244)	-	-
Rates and taxes		(82)	(82)	-	-
Outgoings – investment properties		(845)	(583)	-	-
Management fee		(91)	(127)	-	-
Gaming machine tax		(1,543)	(1,456)	-	-
Finance costs		(2,566)	(1,290)	(151)	-
Other expenses		(1,608)	(1,437)	-	-
Total expenses	7	<u>(17,848)</u>	<u>(14,116)</u>	<u>(151)</u>	<u>-</u>
Profit before income tax		2,646	3,457	625	1,690
Income tax (expense)/benefit	8	<u>(783)</u>	<u>(1,030)</u>	45	-
Profit for the year		<u>1,863</u>	<u>2,427</u>	670	1,690
Profit is attributable to:					
Equity holders of Eumundi Group Limited		1,860	2,427	670	1,690
Minority interest		3	-	-	-
		<u>1,863</u>	<u>2,427</u>	670	1,690
		Cents	Cents		
Basic earnings per share	38	2.33	2.88		
Diluted earnings per share	38	2.33	2.88		

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

Balance Sheets
As at 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	1,256	2,474	-	-
Trade and other receivables	10	406	313	-	-
Inventories	11	1,580	1,098	-	-
Available-for-sale financial assets	12	101	538	-	-
Other assets	13	110	85	-	-
TOTAL CURRENT ASSETS		3,453	4,508	-	-
NON-CURRENT ASSETS					
Other receivables	14	397	549	11,945	12,739
Available-for-sale financial assets	15	207	207	-	-
Other financial assets	16	-	-	5,917	4,587
Property, plant and equipment	17	15,792	13,616	-	-
Investment properties	18	48,253	44,912	-	-
Deferred tax assets	19	-	-	714	764
Intangible assets	20	1,882	85	-	-
TOTAL NON-CURRENT ASSETS		66,531	59,369	18,576	18,090
TOTAL ASSETS		69,984	63,877	18,576	18,090
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	21	1,875	1,619	-	-
Borrowings	22	600	800	233	-
Current tax liabilities		54	61	6	61
Provisions	23	262	141	-	-
TOTAL CURRENT LIABILITIES		2,791	2,621	239	61
NON-CURRENT LIABILITIES					
Borrowings	24	36,016	30,650	3,956	-
Deferred tax liabilities	25	5,040	3,309	-	-
Provisions	26	6	18	-	-
TOTAL NON-CURRENT LIABILITIES		41,062	33,977	3,956	-
TOTAL LIABILITIES		43,853	36,598	4,195	61
NET ASSETS		26,131	27,279	14,381	18,029
EQUITY					
Contributed equity	27	8,695	13,013	8,695	13,013
Reserves	28(a)	8,048	6,884	-	-
Retained profits	28(b)	9,242	7,382	5,686	5,016
Parent entity interest		25,985	27,279	14,381	18,029
Minority interest		146	-	-	-
TOTAL EQUITY		26,131	27,279	14,381	18,029

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

Statements of Changes in Equity

For the year ended 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		27,279	23,238	18,029	16,339
Changes in the fair value of available-for-sale financial assets, net of tax	28(a)	(306)	383	-	-
Gain on revaluation of land and buildings, net of tax	28(a)	1,470	1,231	-	-
Net income recognised directly in equity		1,164	1,614	-	-
Profit for the year		1,863	2,427	670	1,690
Total recognised income and expense for the year		3,027	4,041	670	1,690
Issue of shares on acquisition of subsidiary	27(a)	287	-	287	-
Acquisition of shares pursuant to approved selective share buy-back (including acquisition costs)	27(b)	(4,605)	-	(4,605)	-
Net change in issued capital		(4,318)	-	(4,318)	-
Minority interest on acquisition of subsidiary		143	-	-	-
Total equity at the end of the financial year		26,131	27,279	14,381	18,029
Total recognised income and expense for the year is attributable to:					
Members of Eumundi Group Limited		3,024	4,041	670	1,690
Minority interest		3	-	-	-
		3,027	4,041	670	1,690

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

Cash Flow Statements
For the year ended 30 June 2008

	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		20,521	16,700	-	-
Payments to suppliers and employees		(16,931)	(13,910)	-	-
Interest received		85	74	-	-
Finance costs		(2,590)	(1,329)	(195)	-
Income tax paid		(145)	(369)	(81)	(369)
Receipts from other debtors		150	150	-	-
Other receipts		328	248	-	-
Net cash inflows/(outflows) from operating activities	36	1,418	1,564	(276)	(369)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investment properties	18	(1,889)	(15,490)	-	-
Payments for property, plant & equipment	17	(379)	(344)	-	-
Payment for acquisition of subsidiary, net of cash acquired	34	(936)	-	(1,043)	-
Proceeds from disposals of property, plant & equipment		-	31	-	-
Repayment of loans to controlled entities		-	-	1,708	369
Net cash inflows/(outflows) from investing activities		(3,204)	(15,803)	665	369
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		7,440	16,660	4,566	-
Repayment of borrowings		(2,250)	(2,350)	(566)	-
Loan from controlled entity		-	-	250	-
Repayment of loan from controlled entity		-	-	(17)	-
Payment for share buy-back		(4,566)	-	(4,566)	-
Share buy-back transaction costs		(56)	-	(56)	-
Net cash inflows/(outflows) from financing activities		568	14,310	(389)	-
Net increase/(decrease) in cash and cash equivalents		(1,218)	71	-	-
Cash and cash equivalents at beginning of year		2,474	2,403	-	-
Cash and cash equivalents at end of year	9	1,256	2,474	-	-

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

Notes to the financial statements for the year ended 30 June 2008

1. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial statements and notes of Eumundi Group Limited comply with the International Financial Reporting Standards (IFRSs).

Historical cost convention

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eumundi Group Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Eumundi Group Limited and its subsidiaries together are referred to in the financial report as the Group or the consolidated entity.

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

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

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

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

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

(c) Segment Reporting

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

1. Summary of Significant Accounting Policies (continued)**(d) Foreign Currency Translation***(i) Functional and presentation currency*

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

(ii) Transactions and balances

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

(e) Revenue Recognition

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

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

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

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

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

(f) Income Tax

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (continued)**(f) Income Tax (continued)***Tax consolidation legislation*

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

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

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

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

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

(g) Leases

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

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

(h) Business Combinations

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

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

1. Summary of Significant Accounting Policies (continued)

(i) Impairment of Assets

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

(j) Cash and Cash Equivalents

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

(k) Trade and Other Receivables

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

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

(l) Inventories

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

(m) Investments and Other Financial Assets

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

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

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

1. Summary of Significant Accounting Policies (continued)**(m) Investments and Other Financial Assets (continued)***(iii) Available-for-sale financial assets*

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

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

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

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

(n) Fair Value Estimation

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

(o) Property, Plant and Equipment

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

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

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

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

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

Buildings	2.5%
Plant and equipment	11-40%

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

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

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

p) Investment Property

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

(q) Intangible Assets

(i) Hotel Licences

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

(ii) Management rights

Management rights were acquired as part of a business combination. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the expected average period that the underlying contracts are expected to be retained which is currently 8 years. Amortisation is calculated using the straight line method.

(r) Trade and Other Payables

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

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

1. Summary of Significant Accounting Policies (continued)**(s) Employee Benefits***(i) Wages and salaries, annual leave and sick leave*

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

(ii) Long service leave

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

(iii) Superannuation

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

(iv) Share-based payments

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

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

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

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

(t) Borrowings

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

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

(u) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity re-acquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss for the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

1. Summary of Significant Accounting Policies (continued)

(v) Earnings Per Share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares assuming the conversion of all dilutive potential ordinary shares.

(w) Dividends

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

(x) Financial guarantee contracts

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

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

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

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of Amounts

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

1. Summary of Significant Accounting Policies (continued)

(aa) New Accounting Standards and Interpretations

Relevant Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2008, are as follows:

Standard/Interpretation	Application date of standard*	Application date for the group*
AASB 8 <i>Operating Segments</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 101 <i>Presentation of Financial Statements – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 3 <i>Business Combinations – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 127 <i>Consolidated and Separate Financial Statements – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 July 2009	1 July 2009
AASB 123 <i>Borrowing Costs – revised</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2009	1 July 2009
AASB 2008-1 <i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations</i>	1 January 2009	1 July 2009
AASB 2008-2 <i>Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation</i>	1 January 2009	1 July 2009
AASB 2008-5 <i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2009	1 July 2009
AASB 2008-6 <i>Further amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2009	1 July 2009
AASB 2008-7 <i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2009	1 July 2009
Interpretation 13 <i>Customer Loyalty Programmes</i>	1 July 2008	1 July 2008
IFRIC 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2009	1 July 2009

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

The directors anticipate that the adoption of these standards and interpretations in future periods may have the following impacts:

- *AASB 8* - AASB 8 may impact segment disclosures. It is not expected to impact the amounts included in the financial statements except that it may impact the level at which goodwill, if any, is tested for impairment.
- *AASB 101* - The revised AASB 101 is only expected to effect the presentation and disclosure of the financial report. It is not expected to effect recognition and measurement accounting policies.
- *AASB 3* - The revised AASB 3 applies prospectively for all business combinations after it becomes effective. It introduces a number of changes which may have a significant impact on accounting for future business combinations. For example, it allows a choice for measuring a non-controlling interest (minority interest) in an acquiree – either at fair value or at the proportionate share of the acquiree's net identifiable assets. It also requires acquisition related costs to be accounted for separately from the business combination – which will usually mean they will be expensed. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 127* - The revised AASB 127 introduces a number of changes, including requiring that changes in an ownership interest in a subsidiary that do not result in a loss of control be accounted for as equity transactions. Another change will result in net income being attributed to the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors have not yet assessed the impact the revised standard will have in future periods.

1. Summary of Significant Accounting Policies (continued)

- *AASB 123* - The revised AASB 123 requires that borrowing costs associated with qualifying assets be capitalised. The directors do not expect the revised standard will have a material impact as the Group has already adopted the allowed alternative treatment of capitalising borrowing costs attributable to qualifying assets.
- *AASB 2008-1* - AASB 2008-1 introduces a number of amendments in accounting for share-based payments, including clarifying that vesting conditions comprise service conditions and performance conditions only. The Group may enter into share-based payment arrangements that could be impacted by these amendments. However, the directors have not yet assessed the impact, if any.
- *AASB 2008-2* - AASB 2008-2 introduces amendments that allow an entity that issues certain puttable financial instruments to classify them as equity rather than financial liabilities. The directors have not yet assessed the impact the revised standard will have in future periods.
- *AASB 2008-5 and AASB 2008-6* - These amendments introduce various changes to IFRSs. The directors have not yet assessed the impact of the amendments, if any.
- *AASB 2008-7* - AASB 2008-7 introduces amendments that result in all dividends from a subsidiary, jointly controlled entity or associate being recognised in the separate financial statements of an investor as income.
- Interpretation 13 - This interpretation deals with accounting for customer loyalty programmes. As the Group does not have any such programmes, the interpretation is not expected to have an impact on the financial report.
- IFRIC 15 - This interpretation deals with accounting by real estate developers providing construction services. As the Group does not provide such services, the interpretation is not expected to have an impact on the financial report.

(ab) General

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

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

Principal places of business:

- Ashmore Tavern, Cnr of Cotlew St and Currumburra Rd, Ashmore Qld 4214
- Unit 3B Logan Court, 2092 Logan Rd, Upper Mt Gravatt Qld 4122
- Level 15, 10 Market Street, Brisbane Qld 4000

Registered office:

- Level 8, 1 Eagle Street, Brisbane Qld 4000

2. Financial Risk Management

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

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

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets				
Cash and cash equivalents*	1,256	2,474	-	-
Trade and other receivables*	803	862	11,945	12,739
Available-for-sale financial assets	308	745	-	-
	<u>2,367</u>	<u>4,081</u>	<u>11,945</u>	<u>12,739</u>
Financial liabilities				
Trade and other payables**	1,875	1,619	233	-
Borrowings**	36,616	31,450	3,956	-
	<u>38,491</u>	<u>33,069</u>	<u>4,189</u>	<u>-</u>

* Loans and receivables category

** Financial liabilities at amortised cost category

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

2. Financial Risk Management (continued)**(a) Market risk***Currency risk*

The Group and parent entity have no exposure to currency risk.

Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. The price risk for listed and unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity.

The Group is not exposed to commodity price risk.

The parent is not exposed to equity security price risk.

Interest rate risk

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

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

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2008		30 June 2007	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Commercial bills	8.55%	23,410	7.23%	17,456

As at the reporting date, the parent entity had the following variable rate borrowings outstanding:

	30 June 2008		30 June 2007	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Commercial bills	8.60%	3,956	-	-

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for the liabilities that represent the major interest bearing positions.

Group sensitivity

At 30 June 2008, if interest rates had changed by +/- 80 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$117,000 lower/higher (2007 – change of 60 bps: \$45,000 lower/ higher), mainly as a result of increased/decreased interest expense from borrowings.

Parent entity sensitivity

The parent entity's main interest rate risk arises from medium-term borrowings with variable interest rates. At 30 June 2008, if interest rates had changed by +/- 80 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$22,000 lower/higher (2007 – change of 60 bps: \$nil lower/ higher), mainly as a result of increased/ decreased interest expense from borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to receivables. The maximum credit risk exposure is represented by the carrying amount of assets in the balance sheet, net of any provisions for losses.

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

The Group had no significant concentrations of credit risk from any single debtor or group of debtors at balance date with the exception of an amount of \$547,000 (2007: \$665,000) included in other receivables disclosed in notes 10 and 14.

Creditworthiness of potential tenants is established through the review of applicant's credit history and financial position. Security in the form of deposits, bank guarantees and third party guarantees is obtained which can be called upon if the counterparty is in default under the terms of the lease agreement.

2. Financial Risk Management (continued)**(b) Credit risk (continued)**

The parent entity's exposure includes financial guarantees provided to third parties in respect of subsidiaries liabilities. Refer note 24.

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

(c) Liquidity risk

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

As at 30 June 2008, 1.6% of the Group's debt will be payable in the next 12 months (2007: 2.5%). Refer note 24(b) for details of finance facilities available.

Maturity of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based upon the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Cash flows are managed on a daily basis to ensure adequate funds are available to pay liabilities as they come due while minimising the use of credit facilities. Total borrowing, including undrawn facilities, is maintained below 65% of the Group's property asset valuations at all times.

Group - At 30 June 2008	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contract- ual cash flows	Carrying amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Accounts payable	1,875	-	-	-	-	1,875	1,875
Commercial bills	1,861	1,704	23,843	17,539	-	44,947	36,616
Total	3,736	1,704	23,843	17,539	-	46,822	38,491

Group - At 30 June 2007	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contract- ual cash flows	Carrying amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Accounts payable	1,619	-	-	-	-	1,619	1,619
Commercial bills	1,513	1,503	18,604	3,060	14,195	38,875	31,450
Total	3,132	1,502	18,604	3,060	14,195	40,494	33,069

Parent - At 30 June 2008	Less than 6 months	6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contract- ual cash flows	Carrying amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Accounts payable	233	-	-	-	-	233	233
Commercial bills	172	172	4,201	-	-	4,545	3,956
Total	405	172	4,201	-	-	4,778	4,189

The parent entity had no financial liabilities as at 30 June 2007.

(d) Fair Value estimation

The carrying value of financial assets and liabilities approximates fair value.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (such as investments in unlisted companies) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short term nature. Long term financial liabilities are subject to variable interest rates or fixed interest rates for a short term.

3. Critical Accounting Estimates and Judgements

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

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

The Group has investment properties with a carrying amount of \$48,253,000 (2007: \$44,912,000) and land and buildings (included in property, plant & equipment) with a carrying amount of \$15,000,000 (2007: \$13,000,000) representing estimated fair value. These carrying amounts are based upon independent valuations and on directors' valuations of the properties. The independent valuers form their estimates based on certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates, as well as taking into account sales of properties similar to those owned by the Group.

4. Segment Information

(a) Description of segments

Business segments

The Group operates predominantly in the following business segments:

Hotel operations - Operations comprise the operation of Ashmore Tavern.

Investment - Operations comprise investment in commercial properties.

Property Management - Operations comprise management of commercial retail and industrial properties.

Geographical segments

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

4. Segment Information (continued)

(b) Primary reporting format – business segments 2008	Hotel Operations \$'000	Investment \$'000	Property Management \$'000	Total \$'000
Revenue				
Sales to external customers	13,427	3,909	991	18,327
Intersegment sales (refer note (d))	-	-	80	80
Total sales revenue	13,427	3,909	1,071	18,407
Other revenue/income	340	1,386*	-	1,726
Total segment revenue/income	13,767	5,295*	1,071	20,133
Intersegment elimination				(80)
Unallocated revenue				441**
Total revenue/income				20,494
Results				
Segment results	1,095	4,450*	20	5,565
Unallocated revenue less unallocated expenses				(2,919)**
Profit before income tax				2,646
Income tax expense				(783)
Profit for the year				1,863
Assets				
Segment assets	19,190	48,323	2,015	69,528
Unallocated assets				456
Total assets				69,984
Liabilities				
Segment liabilities	1,456	56	157	1,669
Unallocated liabilities				42,184
Total liabilities				43,853
Other segment information				
Acquisitions of property, plant and equipment, investment properties, intangibles and other non-current assets	364	1,889	2,088***	4,341
Unallocated acquisitions				7
Total acquisitions				4,348
Depreciation and amortisation	312	-	265	577
Unallocated				9
Total depreciation and amortisation				586
Other non-cash expenses (other than depreciation and amortisation)	-	-	-	-

* Includes fair value adjustment to investment properties \$1,377,000 (refer note 6).

** Includes recovery of prior period costs \$328,000 (refer note 6).

*** Includes items purchased as part of Keendove Holdings Pty Ltd acquisition (refer note 34)

4. Segment Information (continued)

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

* includes fair value adjustment to investment properties \$2,048,000 and termination fee of \$248,000 (refer notes 5 and 6)

(c) Accounting policies

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

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

(d) Inter-segment sales/transfers

Segment revenues, expenses and results include services provided between segments. Such services are priced on an 'arms-length' basis and are eliminated on consolidation.

Notes to the financial statements

for the year ended 30 June 2008

(continued)

5. Revenue

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Sale of goods	10,011	8,908	-	-
Gaming revenue	3,416	3,251	-	-
Rental income and recoveries from investment properties	3,909	2,730	-	-
Management services	991	-	-	-
	<u>18,327</u>	<u>14,889</u>	-	-
Termination fees (a)	-	248	-	-
Interest	85	74	-	-
Imputed interest on long term receivable	32	37	-	-
Rent	-	3	-	-
Consulting fees	8	65	-	-
Commissions	138	138	-	-
Reversal of provision for non-recovery no longer required	-	-	776	1,690
Other	199	68	-	-
Total revenue	<u>18,789</u>	<u>15,522</u>	<u>776</u>	<u>1,690</u>

(a) Termination fees

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

6. Other Income

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net gain on fair value adjustment – investment properties (note 18)	1,377	2,048	-	-
Net gain on disposal of plant and equipment	-	3	-	-
Recovery of costs (a)	328	-	-	-
	<u>1,705</u>	<u>2,051</u>	-	-

(a) Recovery of costs

In March 2008 Eumundi Group Limited entered into a deed of settlement under which costs relating to the abandoned Airlie Beach Lagoon Hotel project totalling \$328,000 were recovered.

7. Expenses

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
Cost of goods sold	7,672	6,631	-	-
Depreciation				
- Buildings	100	96	-	-
- Plant and equipment	229	196	-	-
Total depreciation	<u>329</u>	<u>292</u>	-	-
Amortisation – intangibles	257	2	-	-
Finance costs				
- Amortisation of loan establishment costs	38	49	8	-
- Interest and finance charges paid/payable	2,528	1,241	143	-
	<u>2,566</u>	<u>1,290</u>	<u>151</u>	-
Operating lease rentals – minimum lease payments	272	244	-	-
Defined contribution superannuation expense	215	165	-	-

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for the year ended 30 June 2008
(continued)

8. Income Tax	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense/ (benefit)				
Current tax	164	208	(59)	(10)
Deferred tax	619	817	14	10
Adjustment for current tax of prior periods	-	5	-	-
	783	1,030	(45)	-
(b) Numerical reconciliation of income tax to prima facie tax payable is as follows:				
Profit before income tax	2,646	3,457	625	1,690
Income tax at the Australian tax rate of 30% (2007: 30%)	794	1,037	187	507
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Reversal of provision for non-recovery of amount owing by controlled entity	-	-	(232)	(507)
Sundry items	(11)	(7)	-	-
Income tax expense/(benefit)	783	1,030	(45)	-
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity:				
Net deferred tax debited/(credited) directly to equity	482	691	17	-

(d) Tax consolidation legislation

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

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

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

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

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Investment properties	(2,239)	(1,509)	730	827
Property, plant and equipment	(3,161)	(2,557)	(26)	(28)
Intangibles	(539)	-	(77)	-
Employee benefits	80	53	3	(5)
Accrued expenses	24	19	(5)	(5)
Sundry items	100	(64)	(6)	28
Tax losses	695	749	-	-
Net deferred tax liabilities	(5,040)	(3,309)		
Net deferred tax expense			619	817
Parent entity				
Sundry items	19	15	14	10
Tax losses	695	749	-	-
Net deferred tax assets	714	764		
Net deferred tax expense			14	10

Tax losses of \$54,000 (2007: \$148,000) were utilised to offset the current tax liability during the year.

8. Income Tax (continued)

(f) Franking credits

	Parent Entity	
	2008	2007
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	552	480

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

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

9. Current Assets – Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	1,256	2,474	-	-

The Group's and parent entity's exposure to interest rate risk is discussed in note 2.

10. Current Assets – Trade and Other Receivables

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade receivables	156	89	-	-
Provision for impairment of trade receivables	(3)	-	-	-
	153	89	-	-
Other receivables*	253	224	-	-
	406	313	-	-

* Refer to note 14

Impaired trade receivables

As at 30 June 2008 trade receivables of the Group with nominal value of \$3,000 (2007 – \$nil) were impaired. The amount of the provision was \$3,000 (2007 – \$nil). The individually impaired assets relate to hotel suppliers who have entered into liquidation. There were no impaired trade receivables for the parent in 2008 or 2007.

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated	
	2008	2007
	\$'000	\$'000
At 30 June	-	-
Provision for impairment recognised during the year	3	-
	3	-

The creation of the provision for impaired trade receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Past due but not impaired

There are no significant receivables for either the Group or the parent entity that are past due but not impaired.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables mentioned above. Refer to note 2 for more information on risk management policy and credit quality of receivables.

11. Current Assets – Inventories

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Finished goods – at cost	1,580	1,098	-	-

Notes to the financial statements

for the year ended 30 June 2008

(continued)

12. Current Assets – Available-for-sale Financial Assets	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares in listed companies – at fair value	101	538	-	-
At beginning of year	538	135	-	-
Fair value adjustment – transfer to equity	(437)	403	-	-
At end of year	101	538	-	-

Information about the Group's and the parent entity's exposure to price risk is provided in note 2.

13. Current Assets – Other Assets	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Short term deposits	10	12	-	-
Prepayments	100	73	-	-
	110	85	-	-

14. Non-Current Assets – Other Receivables	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other receivables	397	549	-	-
Amounts owing from subsidiaries	-	-	16,087	17,657
Provision for non-recovery	-	-	(4,142)	(4,918)
	397	549	11,945	12,739

Other receivables

Other receivables includes amounts owing by Carlton and United Beverages Ltd of \$547,000 (2007: \$665,000), being the proceeds from termination of a brewing contract. The receivable will be settled by way of a further 4 (2007: 5) annual instalments of \$150,000 per annum ending on 1 November 2011. The Carlton and United Beverages Ltd receivable has been discounted to its present value using a discount rate of 5.9% pa. Imputed interest is brought to account as income over the term of the receivable.

Amounts owing from subsidiaries

During the year the parent entity reduced a provision for non-recovery of loans to a subsidiary by \$776,000 (2007: \$1,690,000). For further information relating to amounts owing from subsidiaries refer note 33.

Movements in the provision for non-recovery of amounts owing from subsidiaries are as follows:

	Parent Entity	
	2008 \$'000	2007 \$'000
At 1 July	4,918	6,608
Unused amount reversed	(776)	(1,690)
At 30 June	4,142	4,918

The provision for non-recovery relates to an amount receivable from a controlled entity and is based on the underlying net assets of that subsidiary.

Past due but not impaired

There are no significant receivables for either the Group or the parent entity that are past due but not impaired.

Fair value and credit risk

As stated above the carrying value of other receivables is based on discount to present value. Amounts owing from subsidiaries are at call. As such the carrying amounts of these receivables approximate their fair value. The maximum exposure to credit risk is the carrying amount of receivables mentioned above. Refer to note 2 for more information on the risk management policy and credit quality of receivables.

15. Non-Current Assets – Available-for-sale Financial Assets	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unlisted securities - at fair value	207	207	-	-
At beginning of year	207	64	-	-
Fair value adjustment – transfer to equity	-	143	-	-
At end of year	207	207	-	-

Information about the Group's and the parent entity's exposure to price risk is provided in note 2.

Notes to the financial statements

for the year ended 30 June 2008

(continued)

16. Non-Current Assets – Other Financial Assets	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares in subsidiaries (unlisted)	-	-	5,917	4,587

Refer note 35 for details of subsidiaries.

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

Consolidated	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
At 1 July 2006				
Cost or fair value	7,500	3,750	1,904	13,154
Accumulated depreciation	-	-	(1,321)	(1,321)
Net book amount	7,500	3,750	583	11,833
Year ended 30 June 2007				
Opening net book amount	7,500	3,750	583	11,833
Revaluation increment	1,500	259	-	1,759
Additions	-	87	257	344
Disposals	-	-	(28)	(28)
Depreciation charge	-	(96)	(196)	(292)
Closing net book amount	9,000	4,000	616	13,616
At 30 June 2007				
Cost or fair value	9,000	4,000	1,338	14,338
Accumulated depreciation	-	-	(722)	(722)
Net book amount	9,000	4,000	616	13,616
Year ended 30 June 2008				
Opening net book amount	9,000	4,000	616	13,616
Revaluation increment	2,000	100	-	2,100
Additions*	-	-	405	405
Depreciation charge	-	(100)	(229)	(329)
Closing net book amount	11,000	4,000	792	15,792
At 30 June 2008				
Cost or fair value	11,000	4,000	1,455	16,455
Accumulated depreciation	-	-	(663)	(663)
Net book amount	11,000	4,000	792	15,792

* Includes plant and equipment of \$26,000 from the acquisition of Keendove Holdings Pty Ltd. Refer note 34.

Parent Entity

The parent entity holds no property, plant and equipment.

(a) Valuation of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

The 2008 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 24 June 2008. Based on this valuation the fair value of the Ashmore Tavern was reassessed resulting in a revaluation increment of \$2,000,000 being recognised for freehold land and \$100,000 for buildings.

The 2007 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 3 May 2007. Based on this valuation the fair value of the Ashmore Tavern was reassessed resulting in a revaluation increment of \$1,500,000 being recognised for freehold land and \$259,000 for buildings.

(b) Non-Current assets pledged as security

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

Notes to the financial statements

for the year ended 30 June 2008

(continued)

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

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

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

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Freehold land				
Cost	3,026	3,026	-	-
Accumulated depreciation	-	-	-	-
Net book amount	3,026	3,026	-	-
Buildings				
Cost	1,363	1,363	-	-
Accumulated depreciation	(183)	(157)	-	-
Net book amount	1,180	1,215	-	-

18. Non-Current Assets – Investment Properties

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At fair value				
At beginning of year	44,912	27,300	-	-
Acquisition (c)	-	15,228	-	-
Capitalised subsequent expenditure	1,889	262	-	-
Straight line rentals	75	74	-	-
Net gain from fair value adjustment	1,377	2,048	-	-
At end of year	48,253	44,912	-	-

(a) Valuation basis

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 30 June 2008 revaluations for Aspley Shopping Centre, Banksia Beach Shopping Village and Aspley Arcade Shopping Centre properties were based on independent assessments made by a member of the Australian Property Institute. The Home Hill Shopping Centre investment property was revalued in November 2007 by a member of the Australian Property Institute.

The 30 June 2007 revaluations were based on independent assessments made by a member of the Australian Property Institute.

Property	Acquisition Date	Purchase Price* \$'000	Valuation	
			2008 \$'000	2007 \$'000
Aspley Shopping Centre	March 2004	17,362	22,500	20,800
Banksia Beach Shopping Village	November 2005	7,925	10,050	9,587
Aspley Arcade Shopping Centre	29 June 2007	13,000	14,150	13,000
Home Hill Shopping Centre	12 January 2007	1,450	1,553	1,525
			48,253	44,912

* excluding acquisition costs

(b) Non-Current assets pledged as security

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

(c) Acquisitions

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

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

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

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

(d) Amounts recognised in profit and loss for investment properties	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Rental income and recoveries from investment properties	3,909	2,730	-	-
Direct operating expenses from properties that generated rental income	(845)	(583)	-	-
	<u>3,064</u>	<u>2,147</u>	-	-

(e) Contractual obligations

Contractual arrangements exist for the redevelopment of the Banksia Beach shopping centre under which a further \$4,866,000 is committed to building contractors (2007: \$nil). There are no other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

(f) 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:

Within one year	3,288	3,391	-	-
Later than one year but not later than five years	10,342	8,741	-	-
Later than five years	3,829	3,844	-	-
Total	<u>17,459</u>	<u>15,976</u>	-	-

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
19. Non-Current Assets – Deferred Tax Assets				
Net deferred tax assets (note 8)	-	-	714	764

20. Non-Current Assets – Intangible Assets

Consolidated	Hotel	Management	Total
	Licences	Rights	
	\$'000	\$'000	\$'000
At 1 July 2006			
Cost	104	-	104
Accumulated amortisation	(17)	-	(17)
Net book amount	<u>87</u>	-	<u>87</u>
Year ended 30 June 2007			
Opening net book amount	87	-	87
Amortisation charge	(2)	-	(2)
Closing net book amount	<u>85</u>	-	<u>85</u>
At 30 June 2007			
Cost	104	-	104
Accumulated amortisation	(19)	-	(19)
Net book amount	<u>85</u>	-	<u>85</u>
Year ended 30 June 2008			
Opening net book amount	85	-	85
Acquisition of subsidiary (refer note 34)	-	2,054	2,054
Amortisation charge	(2)	(255)	(257)
Closing net book amount	<u>83</u>	<u>1,799</u>	<u>1,882</u>
At 30 June 2008			
Cost	104	2,054	2,158
Accumulated amortisation	(21)	(255)	(276)
Net book amount	<u>83</u>	<u>1,799</u>	<u>1,882</u>

Parent Entity

The parent entity has no intangible assets.

Management rights for management of commercial, industrial and retail property were acquired in 2008 as part of the Keendove Holdings Pty Ltd acquisition (refer note 34). The cash generating unit for this intangible is considered to be the Property Management segment. Management has determined there to be no indicators of impairment. The remaining amortisation period for these rights is 7 years.

Notes to the financial statements
for the year ended 30 June 2008
(continued)

21. Current Liabilities – Trade and Other Payables	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade payables	1,875	1,619	-	-

22. Current Liabilities – Borrowings	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Commercial bills – secured	600	800	-	-
Loan from subsidiary	-	-	233	-
	600	800	233	-

Refer to note 24 for details regarding borrowings.
Refer to note 31 for details regarding loan from subsidiary

23. Current Liabilities – Provisions	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee benefits	262	141	-	-

24. Non-Current Liabilities – Borrowings	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Commercial bills - secured	36,016	30,650	3,956	-

(a) Assets pledged as security

Bank overdraft and bills are wholly secured by way of:

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

As such all assets are pledged as security for borrowings.

(b) Financing arrangements

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Credit standby arrangements				
Total facilities				
Bank overdraft	100	100	-	-
Finance lease liabilities	400	400	-	-
Commercial bill facility	43,715	32,700	4,000	-
	44,215	33,200	4,000	-
Used at balance date				
Bank overdraft	-	-	-	-
Finance lease liabilities	-	-	-	-
Commercial bill facility *	37,000	31,810	4,000	-
	37,000	31,810	4,000	-
Unused at balance date				
Bank overdraft	100	100	-	-
Finance lease liabilities	400	400	-	-
Commercial bill facility	6,715	890	-	-
	7,215	1,390	-	-

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

Bank overdraft

Standby funds provided by the Group's bankers are in the form of a bank overdraft which has a limit of \$100,000 (2007: \$100,000). The interest rate is variable and is based on prevailing market rates. This facility is subject to annual review, may be drawn down at any time and may be terminated by the bank without notice.

24. Non-Current Liabilities – Borrowings (continued)
Commercial bills

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

Amount Drawn (Face Value)		Interest Rate		Interest Type	Expiry Date	Repayment Terms		
2008 \$'000	2007 \$'000	2008 %	2007 %					
13,400	14,200	6.8	6.8	Fixed until 31/03/09 and then variable	31/01/10	Quarterly principal payments of \$200,000 until 31/03/09 and then interest only until expiry		
14,900	14,110	8.5	7.2	Variable	31/07/12	Interest	only	until expiry
3,300	3,500	8.7	7.2	Variable	31/01/10	Interest	only	until expiry
1,400	-	8.6	-	Variable	31/01/10	Interest	only	until expiry
4,000	-	8.6	-	Variable	31/01/10	Interest only until 30/09/09 then quarterly principal payments of \$250,000 until expiry		
<u>37,000</u>	<u>31,810</u>							

Finance lease liabilities

The Group has a lease finance facility of \$400,000 (2007: \$400,000) which may only be used to finance plant and equipment. Where applicable, the leases are repayable in fixed monthly instalments of principal and interest over the term of the respective leases.

(c) Financial guarantees

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

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

25. Non-Current Liabilities – Deferred Tax Liabilities	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net deferred tax liabilities (note 8)	5,040	3,309	-	-

26. Non-Current Liabilities – Provisions	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	6	18	-	-

27. Contributed Equity	Parent Entity		Parent Entity	
	2008 Number of Shares	2007 Number of Shares	2008 \$'000	2007 \$'000
Share capital				
Fully paid ordinary shares	70,974,845	84,331,609	8,695	13,013

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

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

27. Contributed Equity (continued)

Movements in share capital	No. of shares	\$'000
Balance at 30 June 2007	84,331,609	13,013
Share issue on acquisition of subsidiary, net of costs (a)	912,225	287
Reduction of share capital from selective share buy-back (b)	(14,268,989)	(4,566)
Buy-back costs, net of tax	-	(39)
Balance at 30 June 2008	<u>70,974,845</u>	<u>8,695</u>

There was no movement in share capital in the 2007 financial year.

- (a) On 3 July 2007 the parent entity issued 912,225 shares valued at approximately 32 cents each as part consideration for the purchase of Keendove Holdings Pty Ltd. Refer note 34 for further information.
- (b) On 12 February 2008 the parent entity undertook a selective buy-back of shares for \$4,566,000 cash (32 cents per share).

Options

As at 30 June 2008, there were no options to purchase ordinary shares in the parent entity (2007: nil).

Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

The gearing ratios as at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total borrowings	38,491	33,069	4,189	-
Less: cash and cash equivalents	(1,256)	(862)	-	-
Net debt	<u>37,235</u>	<u>32,207</u>	4,189	-
Total equity	<u>26,131</u>	<u>27,279</u>	14,381	18,029
Total capital	<u>63,366</u>	<u>59,486</u>	18,570	18,029
Gearing ratio	58.76%	54.14%	22.56%	0.00%

The increase in the gearing ratio during 2008 was the result of increased borrowings to fund the selective share buy-back.

Notes to the financial statements

for the year ended 30 June 2008

(continued)

28. Reserves and Retained Profits

(a) Reserves	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Available-for-sale asset revaluation reserve	143	449	-	-
Property, plant and equipment revaluation reserve	7,905	6,435	-	-
	<u>8,048</u>	<u>6,884</u>	-	-

Movements in reserves:

Property, plant and equipment revaluation reserve

Balance at the beginning of the year	6,435	5,204	-	-
Gain on revaluation of freehold land and buildings (net of tax) *	1,470	1,231	-	-
Balance at the end of the year	<u>7,905</u>	<u>6,435</u>	-	-

* Gross before tax - \$2,100,000 (2007 - \$1,759,000)

Available-for-sale asset revaluation reserve

Balance at the beginning of the year	449	66	-	-
Change in fair value of unlisted securities (net of tax) *	-	101	-	-
Change in fair value of listed securities (net of tax) **	(306)	282	-	-
Balance at the end of the year	<u>143</u>	<u>449</u>	-	-

* Gross before tax - \$nil (2007 - \$143,000)

** Gross before tax - \$(437,000) (2007 - \$403,000)

(b) Retained Profits	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the year	7,382	4,955	5,016	3,326
Profit for the year attributable to members of Eumundi Group Limited	1,860	2,427	670	1,690
Retained profits at the end of the year	<u>9,242</u>	<u>7,382</u>	<u>5,686</u>	<u>5,016</u>

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

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

(ii) Available-for-sale asset revaluation reserve

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

29. Key Management Personnel Disclosures

(a) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	502,871	450,568	502,871	450,568
Post-employment benefits	38,979	35,246	38,979	35,246
	<u>541,850</u>	<u>485,814</u>	<u>541,850</u>	<u>485,814</u>

29. Key Management Personnel Disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

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

There have been no share based payment compensation benefits granted, vested or exercised during the year (2007: nil).

- (ii) Option holdings

There were no options over ordinary shares in the parent entity held by key management personnel during, or at the end of, the year (2007: nil).

- (iii) Share holdings

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

	Balance at Start of Year or Date of Appointment	Granted as Compensation	On Exercise of Options	Net Change Other	Balance at End of Year
2008					
Directors					
J M Ganim	15,469,173	-	-	66,162	15,535,335
G De Luca	8,496,711	-	-	-	8,496,711
V A Wills	-	-	-	-	-
Other key management personnel					
I Thomson	-	-	-	-	-
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-
2007					
Directors					
J M Ganim	15,821,692	-	-	(352,519)*	15,469,173
G De Luca	8,496,711	-	-	-	8,496,711
V A Wills	-	-	-	-	-
Other key management personnel					
I Thomson	-	-	-	-	-
L Stanley	-	-	-	-	-
S Jacobi-Lee	-	-	-	-	-

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

(c) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year (2007: \$nil).

(d) Other transactions with key management personnel

Directors

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

Other key management personnel

No other transactions were undertaken between the Group and key management personnel during the financial year (2007: \$nil)

	2008 \$	2007 \$
Amounts recognised as expense		
Legal fees (JM Ganim)	98,443	122,390
Amounts recognised as non-current assets		
Legal fees included in investment properties acquisition/development costs (JM Ganim)	14,257	37,865
Aggregate amounts receivable/payable arising from the above types of transactions		
Current trade payables	9,056	70,994

30. Auditor's Remuneration

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Audit services				
Audit and review of financial reports	46,500	45,000	46,500	45,000
	46,500	45,000	46,500	45,000
(b) Non-audit services				
Due diligence services	11,300	49,800	11,300	49,800
Tax compliance services	18,100	12,200	18,100	12,200
	29,400	62,000	29,400	62,000

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

In 2008 due diligence services comprised work performed in relation to the purchase of Keendove Holdings Pty Ltd.

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

31. Contingencies

Contingent liabilities

The parent entity has given a guarantee in respect of borrowings of a subsidiary totalling \$33,000,000 (2007: \$31,810,000). The borrowings are secured by a first mortgage over the subsidiaries assets.

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

Contingent asset

The parent entity and Group have no material contingent assets as 30 June 2008.

32. Commitments

Operating leases

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments under non-cancellable operating leases are payable as follows:				
Within one year	210	154	-	-
Later than one year but not later than five years	323	183	-	-
	533	337	-	-

Capital Expenditure

Contractual arrangements exist for the redevelopment of the Banksia Beach shopping centre under which a further \$4,866,000 is committed to building contractors (2007: \$nil). There are no other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

33. Related Party Transactions

(i) Parent entity

The ultimate parent entity is Eumundi Group Limited.

(ii) Subsidiaries

Interests in subsidiaries are set out in note 35.

(iii) Key management personnel

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

(iv) Transactions with subsidiaries

The following transactions occurred with subsidiaries:

	Parent Entity	2007
	2008	2007
	\$	\$
<i>Tax consolidation legislation</i>		
Current tax payable assumed from wholly-owned tax consolidated entities	137,562	218,680

(v) Loans to subsidiaries

	Parent Entity	2007
	2008	2007
	\$	\$
<i>Loans to subsidiaries</i>		
Beginning of the year	17,657,464	17,803,950
Loan repayments received	(1,707,575)	(365,166)
Current tax payable assumed	137,562	218,680
End of the year	16,087,451	17,657,464

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

(vi) Loan from subsidiary

	Parent Entity	2007
	2008	2007
	\$	\$
<i>Loan from subsidiary</i>		
Beginning of the year	-	-
Loans received from subsidiary	250,000	-
Loan repayments made	(16,656)	-
End of the year	233,344	-

(vii) Guarantees

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

(viii) Terms and conditions

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

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

The loans to subsidiaries are interest free, unsecured and repayable in cash at call. Loan from subsidiary attracts a variable rate of interest based on commercial rates. This loan is also unsecured and repayable in cash. Interest of \$3,344 (2007: \$nil) was recognised during the year on this loan.

34. Business Combination

(a) Summary of acquisition

On 3 July 2007 Eumundi Group Limited acquired 90% of the issued shares in Keendove Holdings Pty Ltd, a property management and advisory company, for consideration of \$1,330,000 consisting of cash of \$1,000,000, 912,225 ordinary shares in Eumundi Group Limited, and direct costs relating to the acquisition of \$43,000. Eumundi Group shares issued are subject to an escrow period of three years. These shares were valued at 32 cents each (totalling \$287,000), being the published price at the date of exchange

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

Details of the purchase consideration and net assets acquired are as follows:

	\$'000
Purchase consideration	
Cash paid	1,000
Issue of shares	287
Direct costs relating to the acquisition	43
Total purchase consideration	1,330
Fair value of net identifiable assets acquired (refer below)	1,330
Goodwill	-

(b) Outflow of cash

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	1,043	-	1,043	-
Less: Balances acquired				
Cash and cash equivalents	(107)	-	-	-
	936	-	1,043	-

(c) Assets and liabilities acquired

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

	Fair Value	Acquiree's carrying amount
	\$'000	\$'000
Cash and cash equivalents	107	107
Receivables	73	73
Other assets	9	9
Property, plant and equipment	26	26
Intangibles - management rights	2,054	-
Deferred tax assets	29	29
Payables	(88)	(88)
Current tax liabilities	(17)	(17)
Deferred tax liabilities	(616)	-
Employee benefit liabilities	(104)	(104)
Net assets	1,473	35
Minority interests	(143)	
Net identifiable assets acquired	1,330	

The operating results and assets and liabilities of the acquired company have been consolidated from 3 July 2007. The amount contributed by Keendove Holdings Pty Ltd to the Group's 2008 result prior to the amortisation of intangible of \$257,000 recognised as part of the business combination was \$291,000 before income tax.

35. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding*		Carrying value of parent entity's investment	
			2008	2007	2008 \$'000	2007 \$'000
Eumundi Property Group Pty Ltd (formerly Eumundi Brewing Company Pty Ltd)	Australia	Ordinary	100%	100%	-	-
Eumundi Group Hotels Pty Ltd (formerly Imperial Hotel Eumundi Pty Ltd)	Australia	Ordinary	100%	100%	4,587	4,587
Airlie Beach Lagoon Hotel Pty Ltd	Australia	Ordinary	100%	100%	-	-
Keendove Holdings Pty Ltd**	Australia	Ordinary	90%	-	1,330	-
					5,917	4,587

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

**Acquired 3 July 2007. Refer note 34 for further information.

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

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit for the year	1,863	2,427	670	1,690
Depreciation and amortisation	586	294	-	-
Net (gain)/loss on disposal of property, plant and equipment	-	(3)	-	-
Straight line rental adjustment	(75)	(74)	-	-
Net (gain)/loss on fair value adjustment of investment properties	(1,377)	(2,048)	-	-
Other	(56)	(76)	(44)	-
Reversal of provision for non-recovery no longer required	-	-	(776)	(1,690)
Changes in operating assets and liabilities (net of effects of purchase of subsidiary):				
(Increase)/decrease in:				
Trade receivables	14	(24)	-	-
Other receivables	150	150	(138)	(223)
Deferred tax asset*	-	-	67	158
Inventories	(482)	(299)	-	-
Other current assets	(16)	41	-	-
Increase/(decrease) in:				
Trade and other payables	168	516	-	-
Income tax payable	(24)	(304)	(55)	(304)
Deferred tax liability*	662	965	-	-
Employee benefits	5	(1)	-	-
Cash flows from operating activities	1,418	1,564	(276)	(369)

* net of amounts recognised directly in equity

37. Non-cash Investing and Financing Activities

During 2008 shares to the value of \$287,000 were issued as part consideration for the acquisition of the majority interest in Keendove Holdings Pty Ltd. Refer note 34 for further details.

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

38. Earnings Per Share

	Consolidated	
	2008	2007
(a) Basic earnings per share		
Basic earnings per share	2.33¢	2.88¢
(b) Diluted earnings per share		
Diluted earnings per share	2.33¢	2.88¢
(c) Reconciliation of earnings used in calculating earnings per share		
	Consolidated	2007
	2008	2007
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculation of basic earnings per share	1,860	2,427
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculation of diluted earnings per share	1,860	2,427
(d) Weighted average number of shares used as the denominator		
	Number of Shares	
	2008	2007
Weighted average number of ordinary shares used in calculating basic earnings per share	79,819,758	84,331,609
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	79,819,758	84,331,609

There are no dilutive potential ordinary shares.

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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance 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 for the financial year ended 30 June 2008 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 25th day of September, 2008.

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF EUMUNDI GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Eumundi Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Eumundi Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in Section 12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Eumundi Group Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

JOHNSTON RORKE
Chartered Accountants



KA HAIDUK
Partner

Brisbane, Queensland
25 September 2008

Shareholder information

The shareholder information below was applicable as at 23 September 2008.

A. Distribution of Equity Securities

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

Ordinary Shares	
1 – 1,000	140
1,001 – 5,000	523
5,001 – 10,000	251
10,001 – 100,000	251
100,001 and over	85
	1,250

There are 391 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. De Luca Group Superannuation Fund – De Luca Group Super Fund	7,982,311	11.25
2. Ganbros Pty Ltd	4,968,855	7.00
3. Ganboys Pty Ltd	4,730,190	6.66
4. Gansons Pty Ltd	3,868,490	5.45
5. Jalsea Pty Ltd	3,308,914	4.66
6. Archer Management Pty Ltd – Archer Super Fund	1,749,304	2.46
7. Mrs. Tracy Fraser	1,463,045	2.06
8. RBC Dexia Investor Services Australia Nominees Pty Ltd	1,430,000	2.01
9. Mr. J M Ganim	1,326,400	1.87
10. Phillips Consolidated Pty Ltd	1,195,898	1.68
11. Chriswell Pty Ltd – Christine Weller Family Account	1,107,681	1.56
12. Dreamtouch Pty Ltd – Brian Weller Family Account	1,107,681	1.56
13. Nipruma Pty Ltd – Kim Weller Family Account	1,107,681	1.56
14. Asset Custodian Nominees (Aust) Pty Ltd	944,204	1.33
15. Natpac Financial Services Pty Ltd - Robert Blann Superfund	936,415	1.32
16. Hatfree Pty Ltd - Freeman Super Fund	917,500	1.29
17. Mr M.J. Punch	912,225	1.29
18. HSBC Custody Nominees (Australia) Limited	910,000	1.28
19. Bawden Custodians Pty Ltd Terton Corp P/L S/F	860,000	1.21
20. Atkins Steelcraft Pty Ltd	811,000	1.14
Total	41,637,794	58.64

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
De Luca Group Superannuation Fund	7,982,311	11.25
Ganbros Pty Ltd	4,968,855	7.00
Ganboys Pty Ltd	4,730,190	6.66
Gansons Pty Ltd	3,868,490	5.45

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.