



EUMUNDI GROUP

## ANNOUNCEMENT

14 May 2007

Australian Stock Exchange  
Companies Announcement Office  
Electronic Lodgement System

### AXIOM PROPERTIES LIMITED – OFF-MARKET TAKEOVER OFFER FOR THE SHARES IN EUMUNDI GROUP LIMITED – TARGET’S STATEMENT

Axiom Properties Limited (**Axiom**) served a Replacement Bidder’s Statement on Eumundi Group Limited (**Eumundi**) dated 12 April 2007 pursuant to which it offered to acquire all the shares in Eumundi under the terms and conditions as set out in the Replacement Bidder’s Statement (**Offer**).

With respect to the Offer by Axiom, Eumundi advises as follows:

- (a) As required under Section 633(1), Item 13 of the *Corporations Act 2001 (Cwlth)* (**the Act**), Eumundi has lodged a Target’s Statement in response to the Bidder’s Statement, today (14 May 2007), with the Australian Securities and Investments Commission (**ASIC**).
- (b) As required under Section 633(1), Item 11 of the Act, Eumundi has sent a copy of the Target’s Statement to Axiom today.
- (c) As required under Section 633(1), Item 14 of the Act, a copy of the Target’s Statement is **attached** to this announcement.
- (d) A copy of the Target’s Statement will be mailed to all holders of shares in Eumundi in accordance with Section 633(1), Item 12 of the Act and can also be viewed on the Company’s website, [www.eumundi-ltd.com.au](http://www.eumundi-ltd.com.au)

Yours faithfully

**Joe Ganim**

Chairman

# TARGET'S STATEMENT



**EUMUNDI GROUP LIMITED**  
ACN 010 947 476

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU**

# REJECT

**THE TAKEOVER OFFER BY AXIOM PROPERTIES LIMITED**

**THIS DOCUMENT CONTAINS IMPORTANT INFORMATION AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.



Financial Adviser to Eumundi Group Limited



Legal Adviser to Eumundi Group Limited

## **IMPORTANT NOTICES**

This Target's Statement is dated 14 May 2007 and is given under Part 6.5 of the *Corporations Act* by Eumundi Group Limited ACN 010 947 476 (**Eumundi**) in response to the Offer made by Axiom Properties Limited ACN 009 063 834 (**Axiom**) pursuant to the Replacement Bidder's Statement dated 12 April 2007.

You should read the Target's Statement in its entirety.

### **Australian Securities and Investments Commission and ASX Limited**

A copy of this Target's Statement was lodged with the ASIC and provided to ASX on 14 May 2007. Neither ASIC, ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

### **Investment Decision**

This Target's Statement does not take into account the individual investment objectives, financial or tax situation and particular needs of each Eumundi Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Eumundi Shares.

### **Defined Terms**

Terms used in this Target's Statement are defined in Section 9 below.

### **Website**

Further information relating to the Offer can also be obtained from Eumundi's website at [www.eumundi-ltd.com.au](http://www.eumundi-ltd.com.au).

### **Forward Looking Statements**

Some of the statements contained in this Target Statement may be in the nature of forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Eumundi is involved as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Eumundi, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood in any forward looking statement, and you should not place undue reliance on these statements.

Forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

## CHAIRMAN'S LETTER

14 May 2007

Dear Eumundi Shareholder

### **The Board of Eumundi unanimously recommends that you REJECT THE AXIOM OFFER**

On 27 February 2007, Axiom Properties Limited (**Axiom**) announced its takeover bid for all of the ordinary shares in Eumundi Group Limited (**Eumundi**) in which it did not already have a relevant interest (**the Offer**), with a consideration of one (1) share in Axiom for every one (1) share in Eumundi.

At the same time, Axiom announced that on 26 February 2007, it had acquired 14,268,989 ordinary shares in Eumundi (16.92% of all the ordinary shares on issue).

On 5 April 2007 Axiom served its formal Bidder's Statement on Eumundi, with a Replacement Bidder's Statement being served on Eumundi on 12 April 2007. The price for the Offer in Axiom's Replacement Bidder's Statement remained at one (1) share in Axiom for every one (1) share in Eumundi.

By now, you should have received a copy of Axiom's Bidder's Statement, setting out the terms and conditions of Axiom's Offer, which was mailed to you on or about 30 April 2007.

This Target's Statement contains the detailed response of the Eumundi Directors to the Offer and I encourage you to read this Target's Statement carefully.

After a thorough review of Axiom's Bidder's Statement and upon careful consideration of the Offer, each of your Eumundi Directors hereby recommends that you **REJECT THE OFFER**.

Your Eumundi Directors recommend that you **REJECT THE OFFER** for the reasons set out in detail in this Target Statement.

To **REJECT THE OFFER**, simply do nothing and ignore the documentation sent to you by Axiom.

Your Eumundi Directors, who collectively own or control over 22.8 million Eumundi Shares, being approximately 27% of the Eumundi Shares currently on issue, **DO NOT INTEND TO ACCEPT THE OFFER** on the terms and conditions set out in the Replacement Bidder's Statement dated 12 April 2007, as they consider the Offer to be inadequate. If however the terms of the Offer were varied, or a new offer were made, the Eumundi Directors would give due consideration to such offer. The Eumundi Directors note that in the Replacement Bidder's Statement, Axiom has stated that it does not intend to waive the minimum acceptance condition.

Your Eumundi Directors continue to work in your best interests with a view to maximising long term shareholder value.

We will continue to keep you informed of all material developments in regard to the Offer.

Yours faithfully



**Joseph Ganim**  
Chairman

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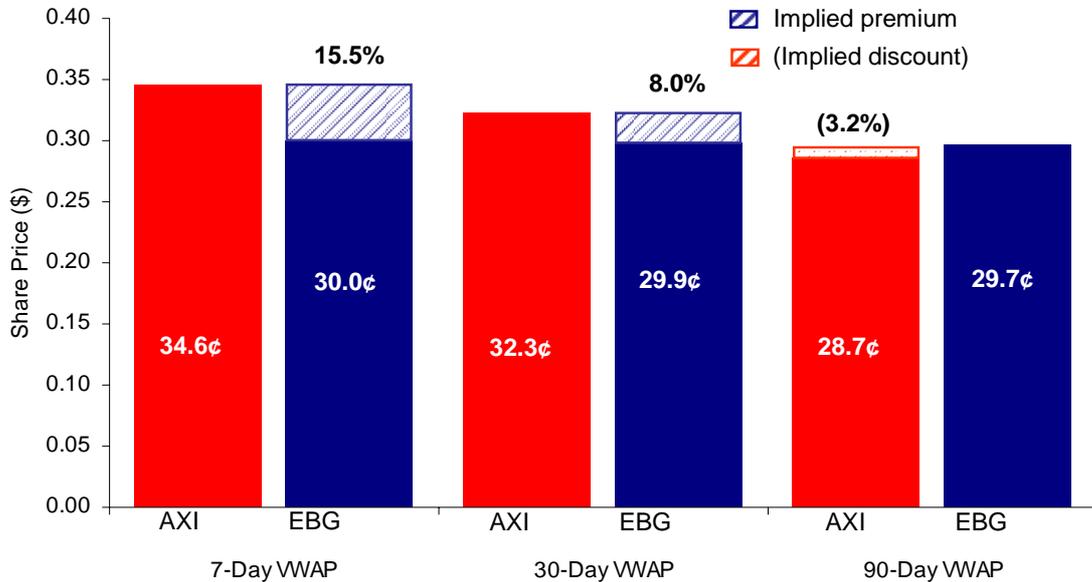
# PART A

## 1. KEY REASONS TO REJECT THE OFFER

### 1.1 AXIOM'S CLAIMED OFFER PRICE PREMIUM IS INADEQUATE

- Axiom wants to own and control Eumundi's valuable assets but its Offer represents an inadequate price to Eumundi Shareholders.
- The data it has used to support the market value of its Offer is based on share price data for selective periods and upon more detailed analysis, the Eumundi Directors believe the supposed premium being offered is inadequate.

#### AXIOM'S OFFER PROVIDES AN INADEQUATE PREMIUM FOR EUMUNDI



*Note: VWAP means the volume weighted average price for the stated number of days prior to the Announcement Date. It is further noted that the VWAP calculations in respect of Eumundi include the on-market acquisition of shares in Eumundi by Axiom on 26 February 2007.*

- Axiom's 7-day VWAP (5 trading days prior to the Announcement Date) for its shares is 34.6 cents, which it uses to imply a modest premium is being offered to Eumundi Shareholders. However Axiom's 30-day VWAP (prior to the Announcement Date) for its shares is only 32.3 cents representing a small premium of 8.0%, while its 90-day VWAP (prior to the Announcement Date) is a mere 28.7 cents, which is actually a discount of 3.2% to Eumundi's 90-day VWAP (prior to the Announcement Date) of 29.7 cents.
- The VWAP periods used by Axiom in the Axiom Bidder's Statement are selectively short periods.
- Axiom has also excluded from its VWAP calculations for Eumundi the largest single trade in Eumundi Shares in the history of the Company, being the on-market acquisition of shares by Axiom on 26 February 2007 prior to its bid. This on-market transaction is considered by Eumundi to be more appropriate to determine the market price of the Company and the applicable premium, if any, offered by Axiom.

- Since its Offer was announced, Axiom Shares have declined from a high of 33 cents per share on the Announcement Date to 30 cents per share as at 27 April 2007. Furthermore, Axiom Shares traded as low as 27 cents on 28 February 2007.
- A more detailed analysis of Axiom's share price data shows that the implied premium of the Offer is far lower than that claimed by Axiom in the Target's Statement and upon a comparison of the 90-day VWAP (prior to the Announcement Date), the Offer price actually represents a **DISCOUNT** of 3.2% for Eumundi Shareholders.
- The Eumundi Directors believe that the absence of any meaningful premium in Axiom's Offer as highlighted by the preceding analysis confirms that the Offer is inadequate for Eumundi Shareholders.

## 1.2 EUMUNDI HAS STRATEGIC VALUE TO AXIOM WHICH IS NOT RECOGNISED IN THE OFFER PRICE

- The Directors believe that Axiom has a good understanding of Eumundi's business and the benefits which would accrue as a result of an acquisition of Eumundi, including:
  - cash flow – direct access to operating cash flows;
  - tax – ability to group for tax purposes; and
  - strategic - seamless implementation of strategic planning and extraction of earnings synergies.
- Axiom recognises the strategic benefit of Eumundi's cash flows to Axiom in its Bidder's Statement (p 41), stating that:

**“Eumundi will have a material impact on Axiom in that it will provide Axiom with access to the recurrent income via the cashflow generated from Eumundi's hotel and shopping centre operations. To date Axiom has not had the benefit of such a cashflow”**

- Eumundi's strategic value to Axiom was also highlighted in Axiom's press release announcing the Offer on 27 February 2007:

**“The Managing Director of Axiom, Ben Laurance, said there was a strong synergy value between the two companies, and he and his fellow directors were confident that Axiom could unlock value from Eumundi's assets”**

- Axiom recognises other benefits for Axiom from owning Eumundi which it has outlined in the Bidder's Statement which include further geographic diversification and some administrative cost savings.
- The Eumundi Directors believe the inadequate premium, if any, being offered by Axiom simply fails to recognise the strategic value of Eumundi to Axiom.

## 1.3 THE TIMING OF AXIOM'S OFFER IS OPPORTUNISTIC

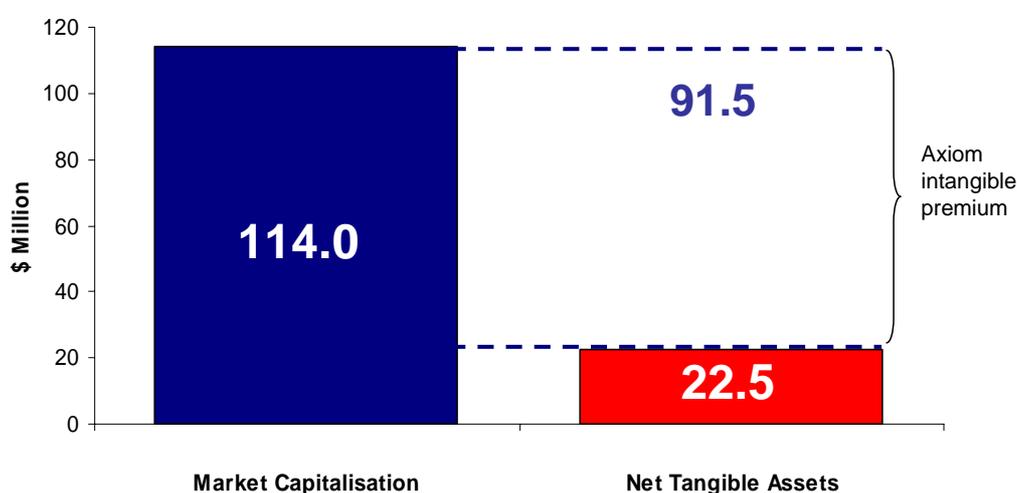
- Axiom Shares traded as low as 11 cents on 28 April 2006 and more recently at just 25 cents on 11, 13, 14 and 19 December 2006 and 30 January 2007, less than one month prior to its Offer for Eumundi.

- In the three week period leading up to the Announcement Date, Axiom Shares appreciated substantially, highlighting the opportunistic nature of its all scrip Offer to take advantage of its recent pricing.

#### 1.4 AXIOM'S SHARE PRICE RELIES ON BLUE SKY VALUATION POTENTIAL

- Comparison of the most recently reported balance sheets of both Eumundi as at 31 December 2006 (released to the market on 27 February 2007) and Axiom as at 31 December 2006 (as adjusted to reflect material transactions since 31 December 2006 including the acquisition of a 16.92% interest in Eumundi and in the form set out in the Bidder's Statement) reveals that Eumundi's net tangible asset ("NTA") value of \$23.8 million exceeds that of Axiom, which had an adjusted NTA of \$22.5 million.
- Axiom's market capitalisation of \$114.0 million as at the closing price on the last trading day prior to the Announcement Date exceeded its adjusted NTA (as at 31 December 2006) by \$91.5 million.

#### AXIOM'S VALUE IS BASED ON ITS BLUE SKY INTANGIBLE PREMIUM



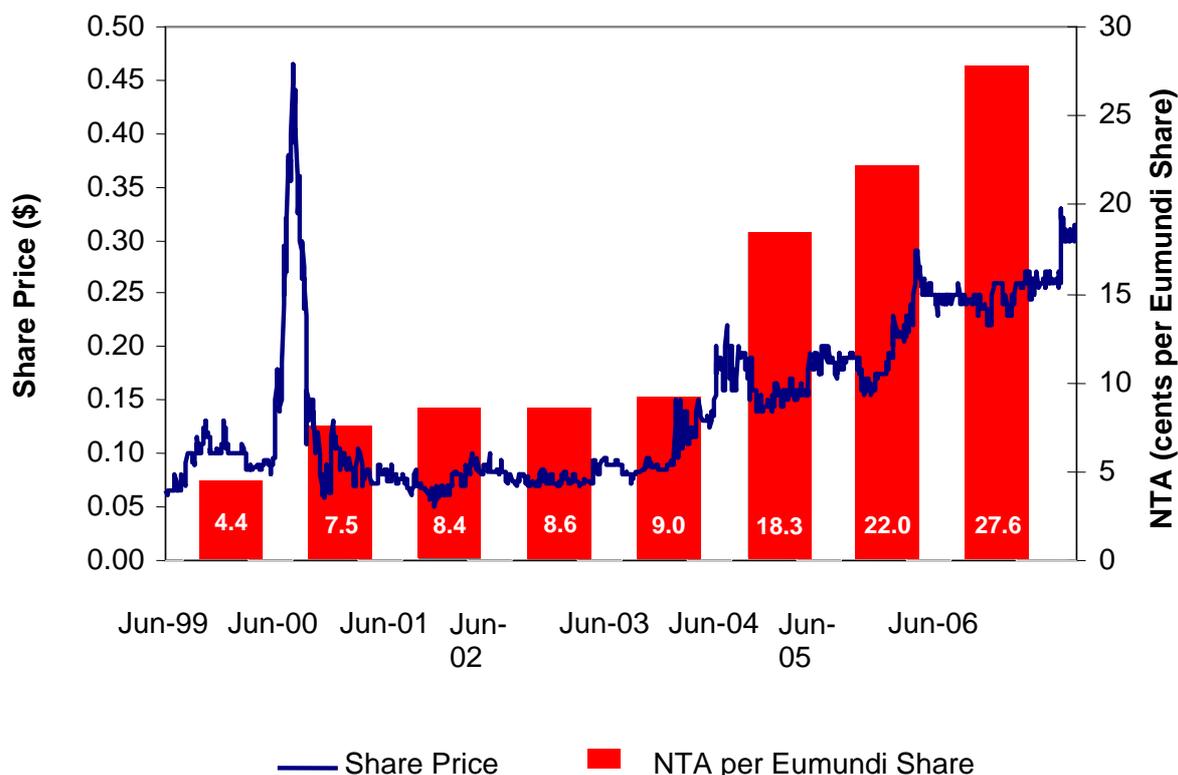
#### 1.5 EUMUNDI SHARES HAVE BEEN AN EXCELLENT LONG TERM INVESTMENT

- Eumundi has successfully undertaken a significant restructure to become a profitable and focussed property investment company with significant retail and hotel property assets.
- For the financial year ended 30 June 2006, Eumundi delivered a net profit after tax ("NPAT") of \$4.211 million, up \$1.616 million over the previous corresponding period. The result included the net gain on the sale of the Sunnybank Hills shopping centre as well as costs relating to the acquisition of Banksia Beach shopping centre on Bribie Island.
- Eumundi delivered a NPAT of \$0.502 million for the half year ended 31 December 2006, which after adjusting for the sale of the Sunnybank Hills shopping centre and the write down of the Banksia Beach acquisition costs, represents an increase of 4% for the previous corresponding half year ended 31 December 2005.
- In contrast, Axiom reported a net loss before tax of \$0.651 million which, after an income tax benefit of \$3.830 million, resulted in a NPAT of \$3.179 million for the year ended 30 June 2006. For the half year ended 31 December 2006, Axiom reported a net loss after tax of \$0.202 million.
- Eumundi reported positive cash flow from operations of \$2.4 million on receipts of \$16.5 million for the financial year ended 30 June 2006. For the corresponding period, Axiom

reported negative cash flow from operations of \$0.219 million on customer receipts of just \$1.6 million. Eumundi continues to generate strong cash flows.

- Eumundi has realised material improvements in NTA year-on-year, adding significant value to its shareholders via an average annual compound increase in NTA per Eumundi Share of 30% for the seven year period ended 30 June 2006 as shown on the chart below.

### EUMUNDI HAS CREATED SIGNIFICANT VALUE FOR SHAREHOLDERS



### 1.6 EUMUNDI HAS A STRONG FINANCIAL POSITION

- Eumundi's balance sheet as at 31 December 2006 has substantial bricks-and-mortar property holdings and property, plant and equipment. In contrast, Axiom's adjusted balance sheet as contained in section 9.4(b)(i) of the Bidder's Statement, outlines that the assets of Axiom on that date primarily comprise investments accounted for using the equity method. This is illustrated in the table below which shows the three largest balance sheet asset categories as at 31 December 2006 for each company:

Eumundi Key Assets	\$'000	Axiom Key Assets*	\$'000
Investment properties	27,300	Investments accounted for using the equity method	44,982
Property, plant and equipment	11,813	Cash and cash equivalents	8,047
Cash and cash equivalents	1,277	Available-for-sale financial assets	4,292

\* This information has been extracted from section 9.4(b)(i) of the Bidder's Statement, being Axiom's stand alone adjusted balance sheet as at 31 December 2006, which has been adjusted to reflect material transactions since 31 December 2006 including the acquisition of a 16.92% interest in Eumundi.

- Eumundi boasts retained earnings of \$5.5 million as at 31 December 2006. In contrast, Axiom has accumulated losses of \$33.0 million as at the same date.
- Axiom is already highly geared as shown in its Bidder's Statement. Axiom's adjusted stand alone balance sheet as at 31 December 2006 contained in section 9.4(b)(i) of the

Bidder's Statement reveals that its Net Debt / Equity ratio stands at 160% prior to its Offer.

- Axiom has also stated in its Bidder's Statement (p 48) that:

**“in order to pursue the development opportunities in the Merged Group, the Merged Group is likely to increase its gearing”**

- The Eumundi Directors believe that Axiom's debt management practices would expose Eumundi's shareholders to increased debt and a corresponding increased level of risk, a philosophy diametrically opposed to that implemented by the Directors of Eumundi.

#### BALANCE SHEET COMPARISON AS AT 31 DECEMBER 2006

	Eumundi 31 Dec 2006 <sup>Note 1</sup> \$'000	Axiom (adj.) 31 Dec 2006 <sup>Note 2</sup> \$'000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,277	8,047
Other	1,860	353
<b>Total Current Assets</b>	3,137	8,400
<b>Non-Current Assets</b>		
Property, plant and equipment	11,813	51
Investment properties	27,300	-
Investments accounted for using the equity method	-	44,982
Other	760	13,287
<b>Total Non-Current Assets</b>	39,873	58,320
<b>Total Assets</b>	43,010	66,720
<b>Liabilities</b>		
Borrowings	15,871	44,110
Other	3,304	68
<b>Total Liabilities</b>	19,175	44,178
<b>Net Assets</b>	23,835	22,542
<b>Equity</b>		
Issued capital and reserves	18,378	55,524
Retained earnings	5,457	(32,982)
<b>Total Equity</b>	23,835	22,542

*Note 1: This information has been extracted from the Half Yearly Financial Report of Eumundi (for the half year ended 31 December 2006) lodged with ASIC on 27 February 2007, which noted the following events subsequent to the balance date (being 31 December 2006). The above information has not been adjusted to reflect these subsequent events:*

- *In October 2006 the Eumundi Group entered into a contract to purchase an investment property in Home Hill, Queensland. The Purchase was settled on 12 January 2007. The purchase price paid was \$1.45 million plus acquisition costs of approximately \$70,000. A deposit of \$69,000 was paid prior to half year end. The acquisition was funded by way of existing debt facilities.*
- *In February 2007 the Eumundi Group renegotiated its finance facilities resulting in a \$1.55 million commercial bill previously due to be repaid on 31 July 2007 (and shown as current at 31 December 2006) having extended its term to 31 July 2008.*

*Note 2: This information has been extracted from section 9.4(b)(i) of the Bidder's Statement, being Axiom's stand alone adjusted balance sheet as at 31 December 2006, which has been adjusted to reflect material transactions since 31 December 2006 including the acquisition of a 16.92% interest in Eumundi.*

## 1.7 AXIOM'S SHARE OPTIONS WOULD MATERIALLY DILUTE THE VALUE OF AXIOM'S OFFER TO EUMUNDI SHAREHOLDERS

- Axiom currently has 159 million options outstanding for Axiom Shares as follows:

Options	Exercise Price	Vesting Date	Expiry Date
10,000,000	\$0.10	Vested	31 December 2008
140,000,000	\$0.20	Vested	15 January 2009
8,000,000	\$0.45	Vested	14 December 2008
1,000,000	\$0.45	Vested	20 December 2008

- Upon exercise these options would be converted into 159 million Axiom Shares, the vast majority at exercise prices well below Axiom's current market price.
- By comparison, if Axiom's Offer were accepted by all Eumundi Shareholders, Axiom would issue approximately 70 million Axiom Shares for the entire Eumundi company.
- Exercise of all Axiom's unlisted issued options would increase the number of Axiom Shares on issue from approximately 335 million to 494 million on a fully diluted basis, or approximately 47% extra shares, prior to a single Axiom Share being issued to any Eumundi Shareholder.
- Axiom's share options would clearly **DILUTE SUBSTANTIALLY** the value of its Offer to Eumundi Shareholders.
- On a fully diluted basis, if Axiom's Offer was accepted by Eumundi Shareholders, Axiom would issue a maximum of around 70 million Axiom Shares to Eumundi Shareholders, with Eumundi Shareholders holding only 12.4% of Axiom Shares on a fully diluted basis.

## 1.8 EUMUNDI SHAREHOLDERS WILL BECOME MINORITY SHAREHOLDERS IN AXIOM WITH LIMITED INFLUENCE

- Entities associated with Perth-based property developer Peter Laurance, including Pivot Group Pty Limited, currently have a relevant interest in approximately 28% of Axiom.
- Two relatives of Peter Laurance sit on the Board of Directors of Axiom. Ian Laurance, brother of Peter Laurance, serves as Executive Chairman. Ben Laurance, son of Peter Laurance, serves as Executive Director. Axiom has two other non-executive directors.
- Peter Laurance, Ben Laurance and their associates currently have a relevant interest in approximately 120 million Axiom Shares or 36% of Axiom. Additionally, Peter Laurance, Ben Laurance, Ian Laurance and their associates currently hold 144 million options to subscribe for Axiom Shares.
- Exercise of all Axiom's unlisted issued options would increase the number of Axiom Shares on issue from approximately 335 million at present to approximately 494 million on a fully diluted basis.
- Upon exercise of all of Axiom's issued options, Peter Laurance, Ben Laurance, Ian Laurance and their associates will have a relevant interest in approximately 264 million Axiom Shares on a fully diluted basis or 53% of Axiom, assuming no Axiom Shares are issued pursuant to the Offer.
- If Axiom's Offer were accepted by Eumundi Shareholders, Axiom would issue a maximum of approximately 70 million Axiom Shares to Eumundi Shareholders. The maximum proportion of the total number of Axiom Shares on issue on a fully diluted basis (being approximately 564 million Axiom Shares) available to Eumundi Shareholders would be

only 12.4%, compared with approximately 47% held by Peter Laurance, Ben Laurance, Ian Laurance and their associates.

- If the Axiom Offer is successful, Eumundi Shareholders will become minority shareholders in Axiom, with **LIMITED INFLUENCE** upon the current businesses or future performance of Axiom and consequently Eumundi.

#### 1.9 **MANAGEMENT CONTINUITY AND EXPERIENCE IS IMPORTANT TO EUMUNDI**

- Joseph Ganim and Gilbert De Luca have been non-executive directors of Eumundi since 1989. Vernon Wills was appointed as a non-executive director on 1 September 2004 and since that time the board of Eumundi has remained unchanged.
- This stability of the board, particularly highlighted by the length of Messrs Ganim and De Luca's appointments, has been an important factor in Eumundi's success and is evidence of a positive and harmonious working relationship between the current members of the board and senior management.
- The experience of the Eumundi Directors and the guidance they have provided have contributed to the substantial growth and the improved financial performance of the Company.
- Accordingly, the Eumundi Directors believe that there is no case for a change in the composition of Eumundi's board as proposed by Axiom in section 8 of the Bidder's Statement, which would occur if shareholders effected a change in control of Eumundi by enabling Axiom to acquire more than 50.1% of the Eumundi Shares.

#### 1.10 **EUMUNDI DIRECTORS COLLECTIVELY HOLDING APPROXIMATELY 27% OF EUMUNDI SHARES INTEND TO REJECT THE OFFER**

- Your Eumundi Directors collectively hold approximately 27% of the Eumundi Shares at present and are unanimous in their **REJECTION** of the Axiom Offer at the current price and on the terms and conditions set out in the Bidder's Statement dated 12 April 2007, as they consider the Offer to be inadequate. If however the terms of the Offer were varied, or a new offer were made, the Eumundi Directors would give due consideration to such offer. The Eumundi Directors note that in the Replacement Bidder's Statement, Axiom has stated that it does not intend to waive the minimum acceptance condition.

#### 1.11 **EUMUNDI SHAREHOLDERS MAY HAVE TO PAY TAX ON THE PROCEEDS OF THE OFFER**

- Sale of your Eumundi Shares may crystallise a capital gain requiring cash payment of tax incurred despite receiving only Axiom Shares for your Eumundi Shares.
- Axiom must acquire at least 80% of Eumundi Shares for capital gains tax scrip-for-scrip rollover relief to be available for eligible Eumundi Shareholders. In the event that the Eumundi Directors holding a combined interest of 27% of all Eumundi Shares reject the Offer as is their intention based on the current terms and conditions of the Offer as noted above, the 80% acceptance threshold will not be met and Eumundi Shareholders will not be able to elect for a scrip for scrip rollover of any capital gain.
- Individuals, complying superannuation entities or trustees who have purchased Eumundi Shares during the last 12 months may be required to pay tax on any capital gains from their Shares at their applicable full tax rate without the benefit of scrip for scrip rollover relief or the CGT discount if they accept the Offer.

- For individual shareholders, this tax rate may be the maximum marginal rate of 46.5% (including Medicare levy) rather than an effective rate of up to 23.25% if the 12 month capital gains tax exemption were applicable.
- Eumundi Shareholders should seek their own personal tax advice on these important taxation issues.

#### 1.12 THE OFFER IS HIGHLY CONDITIONAL

- The Offer is subject to numerous conditions which are set out in detail in Section 13.8 of the Bidder's Statement. A summary of each of the Conditions is set out in Section 3.3 of this Target's Statement.
- Eumundi Shareholders should note that even if you accept the Offer in regard to all of your Eumundi Shares, Axiom may at its discretion, either:
  - rescind the contract that results from your acceptance of the Offer (**Contract**) upon the non-fulfillment of any of the Conditions; or
  - waive its right to terminate the Contract for non-fulfillment of the Conditions and enforce the Contract as if the Conditions had been fulfilled.
- Accordingly, even if you accept the Offer, Axiom may at the end of the Offer Period, terminate the Contract for non-fulfillment of one or more of the Conditions.
- Furthermore, if you accept the Offer, then during the Offer Period, you will not be able to sell your Eumundi Shares to any other party (either on-market or off-market), even though Axiom may have the right subsequently to terminate the Contract to purchase your Eumundi Shares at the end of the Offer Period.

## PART B

### 2. INTRODUCTION

#### 2.1 Information on Eumundi

Eumundi is a company listed on the ASX, involved in the hotel and property industries in Queensland. Eumundi's principal activities are currently the operation of the Ashmore Tavern and the holding of investment properties.

#### 2.2 The Offer

Axiom is offering to acquire all of your Eumundi Shares. The consideration under the Offer is one (1) Axiom Share for every one (1) Eumundi Share.

Further details in relation to the Offer are set out in Section 3 of this Target's Statement.

#### 2.3 Assessment of the Offer

Before making a decision whether to accept or reject Axiom's Offer for your Eumundi Shares, you should read this Target's Statement carefully and seek independent legal, financial and taxation advice.

#### 2.4 Directors' Recommendation

The Eumundi Directors' recommendation is to **REJECT THE OFFER** for the reasons set out in Part A of this Target's Statement. Further details relevant to the Eumundi Directors' recommendation to **REJECT THE OFFER** are set out in Section 4.

#### 2.5 Accepting the Offer

The Eumundi Directors have unanimously recommended that you **REJECT THE OFFER**. However, if, despite that, you want to accept the Offer, you must follow the instructions set out in Section 13.3 of the Bidder's Statement, as well as the instructions on the Acceptance Form, on how to accept the Offer.

#### 2.6 Effect of Accepting the Offer

If you accept the Axiom Offer and the Offer becomes unconditional, you will receive one (1) Axiom Share in respect of each Eumundi Share for which you accept the Offer.

Subject to any statutory withdrawal rights that may arise, once you accept the Axiom Offer (even while it remains subject to the Conditions), you will:

- give up your right to sell your Eumundi Shares to anyone else, including selling them on ASX or accepting any superior proposal that may emerge;
- give up your right to otherwise deal with your Eumundi Shares; and
- lose any Rights attaching to your Eumundi Shares as at the date of your acceptance.

However, you will be entitled to receive any increase that Axiom makes to the Offer consideration after your acceptance.

Complete details of the effect of acceptance of the Axiom Offer are set out in Section 13.5 of the Bidder's Statement. You should read that section in full to understand the effect that acceptance will have on your ability to exercise the Rights attaching to your Eumundi

Shares, and representations and warranties that you give if you choose to accept the Axiom Offer. The Rights you will give up will include your entitlement to any dividends from the date of your acceptance of the Offer and your voting rights from the date on which all of the Conditions have been fulfilled or freed.

You will only have statutory rights to withdraw your acceptance if:

- the Offer is varied in such a way as to postpone for more than one month the time by which Axiom has to meet its obligations under the Offer; and
- the Conditions attaching to the Offer have not been satisfied or waived by Axiom before the end of the Offer Period.

Except in these limited circumstances, if you accept the Axiom Offer, you will give up your rights to sell your Eumundi Shares or to accept any competing offer, if such an offer were made, during the Offer Period.

If either of these situations arise, a notice will be sent to you at the relevant time which explains your rights to withdraw your acceptance of the Offer.

## 2.7 **Rejecting the Offer**

If you wish to reject the Offer you need not take any action.

## 3. **SUMMARY OF AXIOM'S OFFER**

The information below is a summary only of Axiom's Offer. Please refer to Section 13 of the Bidder's Statement for the full terms and conditions of the Offer. Before making any decision in relation to your Eumundi Shares, you should read the Bidder's Statement and this Target's Statement and seek independent legal, financial or other professional advice.

### 3.1 **The Offer**

Axiom is offering to acquire your Eumundi Shares by way of an off-market takeover bid. You may only accept the Offer for all of your Eumundi Shares. There is no ability for you to accept the Offer for some of your Eumundi Shares only.

### 3.2 **Consideration**

The consideration under the Offer is one (1) Axiom Share for each Eumundi Share.

If you accept the Offer, you will be issued the Axiom Shares which you are entitled to receive for your Eumundi Shares on or before the earlier of:

- (a) one (1) month after the date of your acceptance or, if the Offer is subject to a defeating condition when you accept the Offer, within one (1) month after the Offer becomes unconditional; and
- (b) twenty one (21) days after the end of the Offer Period.

Further details are set out in Section 13.6 of the Bidder's Statement.

### 3.3 **Conditions**

Eumundi Shareholders should note that the Offer is subject to a number of Conditions and the Offer will lapse unless these Conditions are either satisfied or waived prior to the end of the Offer Period. The Conditions are set out in full in Section 13.8 of the Bidder's Statement. The following is a summary of each of the Conditions.

(a) **50.1% Minimum acceptance condition**

At the end of the Offer Period, Axiom having a relevant interest in more than 50.1% (by number) of Eumundi Shares.

(b) **No regulatory actions**

There being no preliminary or final decision, order or decree issued, no action or investigation announced, commenced or threatened and no application made to any government agency between the Announcement Date and the end of the Offer Period in connection with the Offer (other than an application to or decision or order of the ASIC or the Takeovers Panel) which restrains, prohibits or impedes or otherwise materially adversely impacts on the Offer and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by Axiom of any shares or material assets of Eumundi or any subsidiary.

(c) **No material adverse change**

No event, change or condition occurs, is announced or becomes known to Axiom (whether or not it becomes public) where the event, change or condition has had, or could reasonably be expected to have, either individually or in aggregate with all such events, changes or conditions, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of Eumundi and its subsidiaries, taken as a whole, between the Announcement Date and before the end of the Offer Period, except to the extent that such events, changes and conditions have been publicly announced by Eumundi or otherwise disclosed in public filings by Eumundi prior to the Announcement Date.

(d) **No prescribed occurrences**

No prescribed occurrences as set out in Section 13.8(d) of the Bidder's Statement occur in relation to Eumundi and its subsidiaries during the period from the Announcement Date to the end of the Offer Period.

(e) **Change in control**

Between the Announcement Date and the end of the Offer Period, no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing any intention, as a result of any change in control event in respect of Eumundi (including Axiom acquiring Eumundi Shares) or any of its subsidiaries or assets to:

- terminate or alter any contracts between any person and Eumundi or its subsidiaries;
- require the termination, modification or disposal (or offer to dispose) of any interest in any asset, corporate body, joint venture or other asset; or
- accelerate or adversely modify the performance of any obligations of Eumundi or any of its subsidiaries under any agreements, contracts or other legal arrangements.

(f) **No Legal Proceedings**

Between the Announcement Date and the end of the Offer Period, no litigation or arbitration proceedings are commenced, instituted or threatened against Eumundi or any of its subsidiaries, which are material in the context of Eumundi's operations as a whole.

(g) **No dividends or distributions**

Between the Announcement Date and the end of the Offer Period, Eumundi does not recommend, declare, pay or make or announce an intention or proposed to recommend, declare, pay or make any dividend, bonus or other distribution.

(h) **No acquisitions or disposals**

Between the Announcement Date and the end of the Offer Period, neither Eumundi nor any of its subsidiaries, other than in the ordinary course of business, acquire or agree to acquire a substantial business, asset or undertaking or is subjected to a substantial new liability or dispose of or agree to dispose of, a substantial business, asset or undertaking or announce the occurrence of any of these things or its intention to do any of these things.

Further details of each of the Conditions are contained in Section 13.8 of the Bidder's Statement.

3.4 **Scheduled Closing Date**

Axiom's Offer is scheduled to close at 5pm (Brisbane time) on 4 June 2007. However, the Offer may be extended or withdrawn by Axiom in accordance with the *Corporations Act* (see Section 13.2 of the Bidder's Statement). However, Axiom cannot close the Offer earlier than this date, except in accordance with the *Corporations Act*.

3.5 **How to accept the Offer**

Full details of how to accept the Offer are set out in Section 13.3 of the Bidder's Statement.

Your acceptance must be received before the end of the Offer Period.

3.6 **Enquiries**

If you have any queries in relation to the Offer, you should contact your financial, legal or other professional adviser.

4. **RECOMMENDATION OF THE DIRECTORS OF EUMUNDI**

4.1 **The Directors**

The following are directors of Eumundi as at the date of this Target's Statement:

**Joseph Michael Ganim**  
Non-Executive Chairman

**Gilbert De Luca**  
Non-Executive Director

**Vernon Alan Wills**  
Non-Executive Director

4.2 **Directors' Recommendation**

The Eumundi Directors consider themselves independent for the purposes of the Offer and are able to make a recommendation to the Eumundi Shareholders. The interests of each Eumundi Director are set out in Section 5.1 of this Target's Statement. The experience of the Eumundi Directors and the continuity of management of Eumundi are set out in Section 1.9 of this Target's Statement.

In assessing the Offer, the Eumundi Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement.

In considering whether to accept the Offer, the Eumundi Directors encourage you to:

- read the whole of this Target's Statement together with the Bidder's Statement;
- ensure that you understand the consequences of accepting or rejecting the Axiom Offer, as noted in this Target's Statement and the Bidder's Statement;
- consider your alternatives as outlined in this Target's Statement;
- understand that the Eumundi Directors have not commissioned an independent expert's report in respect of the Axiom Offer;
- have regard to the current and historical share price of Eumundi Shares;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain advice from your legal, financial or other professional adviser if you are in any doubt as to what you should do.

Each of the Eumundi Directors recommends that the Offer be **REJECTED** for the reasons outlined previously under the heading **KEY REASONS TO REJECT THE OFFER** in Part A of this Target's Statement.

#### 4.3 **Other information to consider**

##### (a) **Minority ownership consequences**

The Axiom Offer is subject to a minimum acceptance condition set out in Section 13.8 of the Bidder's Statement, giving Axiom a relevant interest in more than 50.1% (in number) of Eumundi Shares. If this minimum acceptance level is reached, Eumundi Shareholders who do not accept the Offer will be minority Shareholders in Eumundi, which has a number of possible implications, including:

- Axiom will be in a position to cast the majority of votes at a general meeting of Eumundi, which will enable Axiom to control the composition of the Eumundi board of directors and senior management and control the strategic direction of the business of Eumundi and its subsidiaries;
- depending on Axiom's level of control of Eumundi and Eumundi continuing to meet the requirements for official quotation on ASX (such as sufficient spread of shareholders), Eumundi may be removed from the official list of the ASX, in which case, Eumundi Shares will not be able to be traded on the ASX; and
- the liquidity of Eumundi Shares may be lower than at present.

##### (b) **Compulsory acquisition**

Axiom has indicated in Section 8.3 of the Bidder's Statement that if it acquires a relevant interest in more than 90% of Eumundi Shares, which entitles it to compulsorily acquire all remaining Eumundi Shares and achieve 100% ownership of Eumundi, it intends to exercise that right.

In light of the Eumundi Directors' intention not to accept the Offer, the Eumundi Directors do not expect that a compulsory acquisition could proceed.

**(c) Risks relating to the trading price of Axiom Shares**

If the Offer becomes or is declared unconditional, Eumundi Shareholders who accept the Offer will receive Axiom Shares in return for their Eumundi Shares.

The Eumundi Directors cannot predict Axiom's share price performance either before or after implementation of any of the transactions described in the Bidder's Statement.

**The Eumundi Directors will advise you if there are any material developments in relation to the Offer during the Offer Period.**

If you are in any doubt as to the action that you should take in relation to the Offer, you should consult a professional adviser. In particular, the tax consequences of accepting the Offer will depend upon the circumstances of individual Eumundi Shareholders. You should consult your tax adviser if you need any further information regarding the tax consequences of acquiring, holding or disposing of Eumundi Shares.

**5. DIRECTORS' INTERESTS AND DEALINGS**

**5.1 Interests held by or on behalf of the Eumundi Directors in Eumundi securities**

As at the date of this Target's Statement, the number and description of securities in Eumundi in which each of the Eumundi Directors has a relevant interest are as follows:

<b>Name</b>	<b>Position</b>	<b>Eumundi Shares in which director has a relevant interest in</b>	<b>Eumundi options in which director has a relevant interest in</b>
Joseph Ganim	Non-Executive Chairman	14,827,773	Nil
Gilbert Deluca	Non-Executive Director	7,982,311	Nil
Vernon Wills	Non-Executive Director	Nil	Nil

*\*The above share details DO NOT INCLUDE Eumundi Shares held by related parties of the Eumundi Directors in which the respective Eumundi Directors do not have a relevant interest in.*

**5.2 Dealings by Eumundi Directors in Eumundi securities**

There have been no acquisitions or disposals of securities in Eumundi by any Eumundi Director in the four (4) months ending on the date immediately before the date of this Target's Statement.

**5.3 Dealings by Associates of Eumundi in Eumundi securities**

There have been no acquisitions or disposals of securities in Eumundi by any Associate of Eumundi in the four (4) months ending on the date immediately before the date of this Target's Statement.

**5.4 Securities of Axiom held by Eumundi Directors**

Neither Eumundi nor any Eumundi Director have a relevant interest in securities of Axiom.

**5.5 No payments or benefits**

It is not proposed that a prescribed benefit (not being an excluded benefit) will or may be given to a person in connection with the retirement of a person from a prescribed office in relation to Eumundi, or that a prescribed benefit will or may be given to a prescribed person

in relation to Eumundi in connection with the transfer of the whole or any part of the undertaking or property of Eumundi.

**5.6 No agreement or arrangement with any Eumundi Director**

There is no agreement or arrangement made between any Eumundi Director and any other person in connection with or conditional upon the outcome of the Offers.

**5.7 Interests of Eumundi Directors in any contract with Axiom**

No Eumundi Director has an interest in any contract entered into by Axiom.

**5.8 Other interests of Eumundi Directors**

Professional services are provided to Eumundi by related a party of Joseph Michael Ganim.

Mr Joseph Ganim is a non-executive director of Eumundi. Mr Ganim is also a senior partner of Hopgood Ganim Lawyers, the legal adviser to Eumundi in respect of the Offer. Eumundi has paid or agreed to pay fees to Hopgood Ganim Lawyers for acting as legal adviser in relation to this Offer. None of these fees relate to Mr Ganim's time spent on the Axiom Offer. These fees are charged on a normal time cost basis.

**6. FINANCIAL POSITION OF EUMUNDI**

The last published financial results of Eumundi were for the half year ended 31 December 2006.

Within the knowledge of each of the Eumundi Directors, the financial position of Eumundi has not materially changed since 31 December 2006 (the last half yearly financial report was lodged with ASIC in accordance with section 320 of the *Corporations Act* on 27 February 2007) save and except as disclosed in the Half Yearly Financial Report (for the half year ended 31 December 2006) lodged with ASIC on 27 February 2007.

**7. OTHER MATERIAL INFORMATION**

This Target's Statement is required to include all the information that Eumundi Shareholders and their professional advisers would reasonably require to make and informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for Eumundi Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Eumundi Director.

The Eumundi Directors are of the opinion that the information that Eumundi Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, which has not previously been disclosed to the holders of Eumundi Shares or disclosed to ASX under the regular reporting and disclosure obligations of Eumundi under the *Corporations Act* and the Listing Rules, is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) Eumundi's 2006 Annual Report (for the year ended 30 June 2006); and
- (c) Eumundi's Half Yearly Financial Report (for the half year ended 31 December 2006); and
- (d) this Target's Statement.

The Eumundi Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Eumundi Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Eumundi Directors have had regard to:

- (a) the nature of the Eumundi Shares;
- (b) the matters which Eumundi Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisors of Eumundi Shareholders; and
- (d) the time available to Eumundi to prepare this Target's Statement.

## 8. ASX ANNOUNCEMENTS

Announcements made by Eumundi to ASX since the commencement of the since 30 June 2006 are as follows:

Date	Announcement
17/07/2006	Change in substantial holding
28/08/2006	Form 603 & 605
04/09/2006	Airlie Beach Development Update
07/09/2006	Change in substantial holding
13/09/2006	Preliminary Final Report
21/09/2006	Change in substantial holding
28/09/2006	Annual Report
10/10/2006	Notice of Annual General Meeting
31/10/2006	To Purchase Home Hill Investment Property
24/11/2006	CEOs Address to Shareholders
24/11/2006	Results of Meeting
18/12/2006	Home Hill Investment Property Purchase Now Unconditional
11/01/2007	Purchase of Home Hill Shopping Centre Settled
27/02/2007	AXI ann: Axiom Snares 17% Makes Bid for Eumundi
27/02/2007	Half Yearly Report & Half Year Accounts
28/02/2007	Becoming a substantial holder for EBG
28/02/2007	Advice to shareholders re Hostile Axiom Takeover Offer
28/02/2007	Becoming a substantial holder
01/03/2007	Ceasing to be a substantial holder
05/04/2007	AXI ann: Takeover Bid for Eumundi Group
05/04/2007	AXI ann: Bidder's Statement - Off-market bid for EBG
12/04/2007	Response to Axiom Offer - Take No Action
12/04/2007	Letter to ASX re Bidder's statement
12/04/2007	First Supplementary Bidder's Statement

12/04/2007	Replacement bidders statement for EBG
12/04/2007	Amended notice under section 633(4)(a)
12/04/2007	Marked up replacement bidder's statement for EBG
19/04/2007	Early Settlement of Consultancy Agreement
30/04/2007	Second Supplementary Bidder's Statement for EBG
30/4/2007	Completion of despatch of Bidder's Statements
1/05/2007	Second Supplementary Bidder's S/ment-Completion of Despatch
03/05/2007	Letter to Shareholders re Axiom Takeover Offer
08/05/2007	Third Supplementary Bidder's Statement

All announcements to ASX, including those made by Eumundi and Axiom may be reviewed at [www.asx.com.au](http://www.asx.com.au).

## 9. DEFINITIONS AND INTERPRETATION

9.1 In this Target's Statement unless the contrary intention appears the following words have the following meanings:

**Acceptance Form** means the form of acceptance of the Offer enclosed with the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Axiom;

**Announcement Date** has the meaning given in Section 14 of the Bidder's Statement;

**ASIC** means Australian Securities and Investments Commission;

**Associate** has the same meaning as in the *Corporations Act*;

**ASX** means ASX Limited ACN 008 624 691;

**Axiom** means Axiom Properties Limited ACN 009 063 834;

**Axiom Share** means a fully paid ordinary share in the capital of Axiom;

**Bidder's Statement** means the replacement bidder's statement dated 12 April 2007 given by Axiom to Eumundi on 12 April 2007 in accordance with the provisions of Part 6.5 of the *Corporations Act*, as supplemented by the Supplementary Bidder's Statements of Axiom dated 30 April 2007 and 8 May 2007;

**Conditions** means the conditions to the Axiom Offer as set out in Section 13.8 of the Bidder's Statement;

**Corporations Act** means the *Corporations Act 2001 (Cwlth)*;

**Eumundi** means Eumundi Group Limited ACN 010 947 476;

**Eumundi Directors** means the current directors of Eumundi and, as at the date of this Target's Statement, are those persons detailed in Section 4.1 of this Target's Statement;

**Eumundi Share** means a fully paid ordinary share in the capital of Eumundi;

**Eumundi Shareholder** means a registered holder of Eumundi Shares;

**Listing Rules** means the Listing Rules of ASX;

**Offer** or **Axiom Offer** means the takeover offer by Axiom for all of the Eumundi Shares in which it does not already have a relevant interest as described in the Bidder's Statement;

**Offer Period** means the period commencing on the date of the Offer, being 30 April 2007 and ending on 4 June 2007 or such later date to which the Offer has been extended;

**Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of Eumundi Shares whether directly or indirectly including without limitation all rights to receive dividends (and any attaching franking credit), to subscribe for shares, units, notes, options or other securities and all other distributions or entitlements declared, paid, made or issued by Eumundi after the Announcement Date;

**Target's Statement** means this document; and

**VWAP** means the volume weighted average price for the stated number of days prior to the Announcement Date.

9.2 In this Target's Statement, unless the contrary intention appears:

- (a) the singular includes the plural and vice versa;
- (b) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association or any government agency;
- (c) Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (d) words and expressions defined in the *Corporations Act* have the same meaning in this Target's Statement;
- (e) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and any consolidations, amendments, re-enactments or replacements of any of them; and
- (f) headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.

## 10. **CONSENTS**

This Target's Statement contains statements made by, or statements said to be based on statements made by the Eumundi Directors. Each Eumundi Director has consented to the inclusion of each statement he or she has made in the form and context in which each statement appears and has not withdrawn that consent at the date of this Target's Statement.

As permitted by ASIC Class Order 01/1543, the Target's Statement contains statements which are made, or based on statements made, in documents lodged by Axiom with ASIC or ASX. Pursuant to the Class Order, the consent of Axiom is not required for the inclusion of such statements in the Target's Statement.

Any Eumundi Shareholder who would like to receive a copy of any of those documents may obtain a copy free of charge during the Offer Period by contacting the registered office of Eumundi c/- Hopgood Ganim, Level 8, 1 Eagle Street, Brisbane, Queensland, 4000 or mail@eumindi-ltd.com.au.

TC Corporate Pty Limited has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as financial adviser to Eumundi in respect of the Offer in the form and context in which it is named. TC Corporate Pty Limited does not make, or purport to make, any statement in this

Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person. To the maximum extent permitted by law, TC Corporate Pty Limited expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that party.

Hopgood Ganim Lawyers has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as legal adviser to Eumundi in respect of the Offer in the form and context in which it is named. Hopgood Ganim Lawyers does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person. To the maximum extent permitted by law, Hopgood Ganim Lawyers expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that party.

**DATED** 14 May 2007.

**SIGNED** for and on behalf of **EUMUNDI GROUP LIMITED** by Joseph Michael Ganim who is authorised so to sign pursuant to a resolution passed at a meeting of the Eumundi Directors held on 14 May 2007.



.....  
Director