



EUMUNDI GROUP

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ASX RELEASE

Eumundi Group announces 30.6% increase in net profit after tax to \$0.887 million for HY2017
Net assets increase to 99.1 cents per share
Fully franked interim dividend of 2.25 cents per share

Eumundi Group Limited (the "Group"), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$887,000 for the half-year ended 31 December 2016. This represents earnings per share of 2.46 cents.

The Group's net profit after tax of \$887,000 compared with \$679,000 in the previous corresponding period (representing 2.03 cents per share after share consolidation).

A highlight for the period was a \$3.677 million gain net of tax (recorded as other comprehensive income) on fair value revaluation of the Group's land and buildings predominantly attributable to an independent assessment of the Aspley Central Shopping Centre.

The Board is pleased with the strong underlying performance of the Group's hotel operations following the completion of Aspley Central Tavern refurbishment in the prior comparative period.

The half-year result was achieved on total revenue of \$12,797,000, a 10% increase compared with total revenue of \$11,710,000 in the December 2015 half-year. The prior comparative period included business interruption following the redevelopment of the Aspley Central Tavern prior to recommencement of full operations in August 2015.

Half-year ended 31 December (\$'000)	2016	2015	Change
Revenue from ordinary activities	12,797	11,710	10%
Total comprehensive income (net of tax)	4,564	679	
Fair value revaluation of land and buildings (net of tax)	3,677	-	n/a
Reported net profit after tax	887	679	31%
Net gain on fair value adjustment of investment property after tax	35	-	n/a
Reported net profit after tax (excluding fair value adjustment)	852	679	25%

Comment on result

The 2017 half-year included some significant operational developments for the Group:

- Legislation was introduced by the Queensland Government on 1 July 2016, to remove the 3am 'lockout' laws and introduce reduced trading hours for hotels outside of designated "late night entertainment" precincts. Ashmore Tavern had received approval for extended trading hours prior to the introduction of this legislation and consequently, the hotel's gaming operations were not impacted other than the restricted service of alcohol during those extended hours.

As a result, gaming turnover for the Ashmore Tavern improved significantly in the six months to December 2016 compared with the prior comparative period as few local competitors were approved for extended trading hours during the busiest gaming months of July to September.

- A program of capital works for Ashmore Tavern was identified during the period, with non-disruptive enhancement works commencing in July 2016, including a significant upgrade to the hotel audio visual systems improving the delivery of major sporting events.
- The gaming loyalty program, which had been successfully in use at Ashmore, was implemented at Aspley Central Tavern in July 2016. In August 2016, the customer loyalty program was further extended to incorporate hotel food, beverage and retail operations at both hotels.
- Ashmore Tavern on-premise sales have increased significantly compared with the prior comparative half year with revenue growth in gaming of 15%, food 6% and beverages 7%, offset partly by a decline in retail and commercial liquor sales of 3% predominantly attributable to continued decline in discount/wholesale and commercial liquor sales.
- Aspley Central Tavern on-premise sales have increased significantly, compared with the prior period which included 5 months of trade following refurbishment of the venue. Revenue growth was achieved in gaming of 41%, food 23% and beverages 9%. Retail liquor sales have increased by 83% following closure of a competing business within the adjoining centre.
- Investment property operations remained relatively stable. As existing leases come up for renewal or expiry, options for alternate use of the tenancy are considered in line with the Group's strategic plan for the centres to improve the long term tenancy mix and viability of the asset. Current period results reflect some softening of rental rates on renegotiation of leases and costs incurred to relocate tenancies to deliver the desired leasing outcome.
- In October 2106, the Home Hill land was sold for \$182,000 representing the asset's carrying value, with funds from the sale being used to reduce borrowings.

The Group continued to generate excellent cash flow from operations of \$1,028,000 during the period.

Strong financial position

The Group continued to improve on its financial position during the half year:

- The Group's strong operating cash flows enabled further bank debt reduction of \$1,202,000 since June 2016.
- The Group's net debt (borrowings less cash) was reduced by \$943,000 to \$6,279,000 at 31 December 2016, compared with \$7,222,000 at 30 June 2016.
- The Group recognised a \$3.677 million (net of tax) gain on land and building assets, predominantly attributable to the independent assessment of the Aspley Central Shopping Centre by a member of the Australian Property Institute.
- Net assets increased by \$4,474,000 to \$36,409,000 representing equity of 99.1 cents per share (net tangible assets of 97.6 cents per share).
- The Group's net debt (\$6.279 million) to net equity (\$36.409 million) declined further from 23% at 30 June 2016 to only 17% at 31 December 2016.

The strength of the Group's financial position provides the scope for further development of the Group's hotel and property assets, acquisitions of complementary hotel businesses should suitable opportunities arise and sustainable fully franked dividends to enhance shareholder value.

Interim dividend

The Board is pleased to declare a fully franked interim dividend of 2.25 cents per share with a Record Date of Monday 6 March 2017, to be paid to shareholders on Monday 13 March 2017. This is an increase on the 2016 fully franked interim dividend of 2.2 cents per share (after adjusting for the share consolidation).

Given the strong financial position of the company, the board has suspended the operation of the Group's Dividend Reinvestment Plan.

Mandatory Direct Credit applies to this dividend payment. Where holders have already provided payment instructions, no further action will be required. Shareholders who have not previously provided direct credit payment details, or who wish to update their details, should do so online at www.investorcentre.com or by calling Computershare Investor Services on 1300 850 505.

Shareholders are reminded that for administrative convenience and cost, a minimum cash payment of \$1 will apply and that cash payments below this value will not be paid.

Outlook

As part of an ongoing assessment of the Group's existing property and hotel operations, the Board is investigating capital work programmes to improve the Aspley investment property and the Ashmore Tavern assets.

Aspley Central Shopping Centre & Aspley Arcade Shopping Village

A recent strategic leasing analysis of the combined Aspley sites identified the optimum leasing outcome for Aspley Central Shopping Centre being food related tenancies with Aspley Arcade Shopping Village targeted for commercial and service related tenancies.

Capital improvement works to deliver these precincts and improve leasing while having regard to long term development opportunities at the Aspley site are being assessed for the coming 12 months.

Ashmore Tavern

Substantial works have been proposed for the venue which will be prioritised over the coming year to maximise revenue growth and minimise disruption to trade. These works are considered necessary to maintain an attractive venue, with improved function facilities and capacity for continued growth, capable of competing against recently renovated local competitors.

The Board looks forward to reporting to shareholders on the progression of these capital improvement initiatives during the year.



Suzanne Jacobi-Lee
Chief Executive Officer