



EUMUNDI GROUP

29 September 2017

ASX RELEASE

ICONIC PLOUGH INN, SOUTHBANK GOES TO EUMUNDI

Eumundi Group Limited (Eumundi), the Queensland based hotel and investment property company, is pleased to announce that it has entered into a contract for the purchase of a head lease with a remaining term of 96 years (Long Lease) over the land and buildings of the iconic Plough Inn hotel, prominently located in Brisbane's premier South Bank lifestyle and cultural tourist precinct. The purchase is unconditional, following completion of commercial due diligence undertaken over some months and the receipt of Ministerial Approval and the approval of South Bank Corporation, which were pre-conditions to the transaction.

First opened in 1885, the Plough Inn boasts a long established reputation as one of Brisbane's most vibrant and successful entertainment venues. The Plough Inn offers first class facilities including a large outdoor deck overlooking the Brisbane River and CBD and a beer garden complete with stage for live music events and festivals. The hotel's premium location amongst the parklands of Brisbane's South Bank enables it to draw on trade from over 10 million locals and tourists who visit the precinct each year.

The investment, undertaken by Eumundi's wholly owned subsidiary, Eumundi Property Group Pty Ltd (EPG), comprises the acquisition of the Long Lease over the standalone hotel asset. The hotel business will be owned and operated by the skilled and experienced team behind the Victorian based Open Arms Hospitality group (Lessee), Simon Gardner, former CEO of Pegasus Leisure Group and ex-Bier Deluxe partners Craig Shearer and Jason Sheather, who are also creating the unique "Riverland" venue on the river in Eagle St, scheduled to open in November 2017.

The Lessee will be taking a sub-lease (Short Lease) from EPG for an initial term of 15 years with three further options of 10 years each. The Short Lease is a triple net lease, with all outgoings and the costs of capital and structural repair and maintenance payable by the Lessee.

The purchase price of \$13.1M for the Long Lease represents an initial net cap rate of 7.25%, with annual rises being the greater of CPI or 2.5%. Rent is reviewed at the commencement of every 10th year to the then current market rent, capped at an increase of 3.5% and collared at an increase of 2.5% of the previous year's rent. The Short Lease is supported by a six month bank guarantee, plus directors' guarantees.

The purchase will be funded through a mixture of the Group's unused existing facilities and new approved facilities from its bankers, the NAB. Borrowings sit at \$8.8M at present and post the transaction total borrowings should not exceed approximately \$23M. The facilities are secured against the Long Lease and the existing assets, the Ashmore Tavern and the Aspley Shopping centres, which include the business of the Aspley Central Tavern.

It is anticipated that the acquisition will make a net contribution of approximately \$0.42M to the pre-tax result of the Group on an annualised basis.

This transaction is the result of patience and determination by the Board over a number of years to find the right acquisition for the Group. The Plough Inn meets the Group's stated objectives of targeting blue chip assets with substantial capital growth potential, minimal management and solid income backed by tenants of substance and proven capability. This acquisition fits the mould perfectly as an ideal complement to Eumundi's impressive portfolio.

A handwritten signature in black ink, appearing to read 'Joe Ganim', with a stylized flourish at the end.

Joe Ganim
Chairman