EUMUNDI GROUP

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ASX RELEASE

Eumundi Group announces net profit after tax of $0.802 million for HY2018
Net assets increase to 100.3 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 $802,000 for the half-year ended 31 December 2017. This represents earnings per share of 2.18 cents.

The Group's net profit after tax of $802,000 compared with $887,000 in the previous corresponding period (representing 2.46 cents earnings per share).

Total comprehensive income of $1.79 million net of tax included a $988,000 gain net of tax on fair value revaluation of the Group's land and buildings predominantly attributable to the Ashmore Tavern. The prior year result included a $3.677 million gain net of tax primarily in relation to the Aspley Shopping Centre.

Excluding all fair value revaluations and adjustments, operating earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by a healthy 8% from $1.845 million to $1.997 million in the period under review.

The half-year result was achieved on total revenue of $12.616 million, marginally below the total revenue for the prior comparative half-year of $12.797 million.

Half-year ended 31 December ($'000)	2017	2016	Change
Revenue from ordinary activities	**12,616**	**12,797**	**-1%**
EBITDA (excluding fair value revaluations and adjustments)	**1,997**	**1,845**	**8%**
Total comprehensive income net of tax	**1,790**	**4,564**	n/a
Fair value revaluations of land and buildings net of tax	988	3,677	n/a
Reported net profit after tax	**802**	**887**	**-10%**
Net gain (loss) on fair value adjustment of investment property after tax	-14	35	n/a
Net profit after tax (excluding fair value adjustments)	**816**	**852**	**-4%**
Net assets per share (cents)	**100.3**	**99.1**	
Interim dividend (cents per share, fully franked)	**2.25**	**2.25**	

Comments on result

A summary of the HY2018 financial result and the significant operational developments for the Group during the period follows:

- The Ashmore Tavern recorded a solid trading performance in the first half. This was achieved despite a slight decline in gaming revenues, against a very strong performance in the six months to December 2016, as several local competitors were approved for and commenced late night gaming trading. During the period, reticulation equipment was upgraded to increase the number of beers available on tap in each bar, and outdoor dining furniture was purchased. It was pleasing to see that bar and bistro turnover increased by 5% during the half-year and remains strong.
- As noted at the Group's Annual General Meeting in November 2017, Aspley Central Tavern trading was adversely affected by increased vacancy levels within the shopping centres. It was also impacted by the commencement of late night 4am gaming trade at the venue's closest competitor. Nonetheless, cost efficiencies were achieved, particularly through employee cost reductions, partially offsetting lower income levels.
- The Aspley investment properties, comprising Aspley Central Shopping Centre and Aspley Arcade Shopping Village, experienced increased vacancies as noted previously. As a result, revenues decreased by 6% compared to the prior half-year. Leasing has been on hold pending finalisation of the Group's detailed plans for a major refurbishment of the centres, following which time a professional marketing campaign will be undertaken to improve leasing outcomes.
- In November 2017, the Group acquired the head lease with a remaining term of 96 years over the land and buildings of the iconic Plough Inn hotel at Southbank, Brisbane's premier tourist and lifestyle precinct. The premises are sub-leased to experienced hotel operators for an initial term of 15 years with three further options of 10 years each. The sub-lease is a triple net lease, with all outgoings and the costs of capital and structural repair and maintenance payable by the Lessee. The current half-year investment property revenue includes two months contribution from the Plough Inn.

The Group continued to generate excellent cash flows from operations of $1.549 million during the half-year. This represented a significant increase on the cash flows from operations in the previous period of $1.028 million, reflecting the overall satisfactory trading of the Group's hotel operations, rental income from the recently acquired Plough Inn head lease and the timing of annual insurance premium payments.

Strong financial position

The Group's remains in a strong financial position:

- The Group renegotiated commercial debt facilities on favourable terms, with tenure of individual facilities of between three to five years, increasing approved facilities by $14.0 million to fund the Plough Inn acquisition and provide increased working capital for the planned capital works.
- The Group's net debt (borrowings less cash) increased by $14.132 million to $21.059 million at 31 December 2017, primarily as a result of the Plough Inn head lease acquisition.
- The Group recognised a $988,000 (net of tax) gain on land and building assets, predominantly attributable to the independent assessment of the Ashmore Tavern by a member of the Australian Property Institute.
- Net assets increased by $597,000 to $36.818 million representing equity of 100.3 cents per share (net tangible assets of 98.8 cents per share).

- The Group's net debt to net equity ratio was 57% at 31 December 2017, with EBITDA excluding fair value revaluations and adjustments of $1.997 million comfortably covering net finance costs of $241,000 during the half-year.

The continued strength of the Group's financial position provides the scope for further development of the Group's hotel and property assets, in particular the major scheduled refurbishment of the Aspley investment properties, and the ability to sustain 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 5 March 2018, to be paid to shareholders on Monday 12 March 2018.

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

Ashmore Tavern

In April 2018 the Commonwealth Games will be held on Queensland's Gold Coast. The athlete's village is located nearby the Ashmore Tavern and the tavern is located on a major route to the Games venues. Visitors to the region are expected to bring significant tourism and other economic benefits, although road closures will also directly impact the Tavern. The Group is ready and prepared to embrace all opportunities that may be presented by this major event.

A schedule of capital works has been identified for a future upgrade of the lounge and sports bars, bistro deck and beer garden at the Ashmore Tavern. This work will be prioritised later in the year to maximise revenue growth and minimise disruption to trade prior to the Games. These works are considered necessary to maintain an attractive venue, with improved function facilities and capacity for continued growth, and to maintain its premier position against recently renovated local competitors.

Aspley Central Shopping Centre & Aspley Arcade Shopping Village

Conceptual design and planning works for the Aspley Shopping Centre and Aspley Arcade Shopping Village refurbishment commenced during the half-year. The proposed works will unite and transform the centres, establishing separate food, ancillary medical and professional services precincts, with larger premises being subdivided into smaller more marketable tenancies in line with current retail trends. The performance of the centres is expected to remain subdued prior to the completion of these works which are expected to proceed in the 3rd quarter of 2018.

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