



EUMUNDI GROUP

ASX RELEASE

Eumundi Group announces net profit after tax of \$3.900 million for FY2018
Net tangible assets increase to 103.5 cents per share
Fully franked final dividend of 3.30 cents per share

Eumundi Group Limited (the “**Group**”), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$3.900 million for the year ended 30 June 2018, representing earnings per share of 10.62 cents.

This was a substantial improvement on the net profit after tax of \$1.464 million in the previous corresponding period, representing earnings per share of 4.03 cents.

The FY2018 result included a \$2.253 million gain net of tax on fair value revaluations of the Group’s investment properties, predominantly attributable to the Aspley Arcade Shopping Village. Last year’s result included a \$56,000 gain net of tax on fair value revaluations of the Group’s investment properties.

Other comprehensive income this year included a net after tax gain of \$452,000 on fair value revaluations of the Group’s land and buildings, compared with a \$3.739 million gain last year primarily in relation to the Aspley Shopping Centre.

As a result, the Group’s total comprehensive income net of tax in FY2018 was \$4.352 million compared with \$5.203 million in the previous corresponding period.

The Board is pleased to report on an operating level, that is excluding all fair value revaluations and adjustments, the Group’s net profit after tax increased by a healthy 17% from \$1.408 million to \$1.647 million in the period under review.

The result was achieved on total revenue of \$24.782 million, a 2% increase over the total revenue for the prior comparative period of \$24.232 million.

The Board is pleased with the overall performance of the Group’s operations which is summarised below:

Year ended 30 June (\$'000)	2018	2017	Change
Revenue from ordinary activities	24,782	24,232	2%
Total comprehensive income net of tax	4,352	5,203	-16%
Fair value revaluations of land and buildings net of tax	452	3,739	n/a
Reported net profit after tax	3,900	1,464	166%
Net gain on fair value adjustment of investment properties after tax	2,253	56	n/a
Net profit after tax (excluding fair value adjustments)	1,647	1,408	17%
Net tangible assets per share (cents)	103.5	97.2	
Dividends (cents per share, fully franked)			
- Interim	2.25	2.25	
- Final	3.30	3.25	
Total dividends	5.55	5.50	

Comments on result

A summary of the FY2018 financial result and the significant operational developments for the Group during the period follows:

- In November 2017, the Group acquired the head lease with a remaining term of 96 years over the land and buildings of The Plough Inn, an iconic hotel at Southbank in Brisbane. 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. In June 2018, a redecoration of the premises was undertaken by the lessee. The FY2018 investment property revenue includes eight months contribution from The Plough Inn.
- The Aspley investment properties, comprising Aspley Shopping Centre and Aspley Arcade Shopping Village, as anticipated experienced increased vacancies that reduced rental income compared with the prior year. As previously advised to shareholders, leasing has been on hold pending finalisation of the Group's detailed plans for a major refurbishment of the centres, at which time a professional marketing campaign will be undertaken to improve leasing outcomes.
- The investment property segment overall increased its result substantially from \$1.648 million last year to \$2.272 million in the current year principally as a result of The Plough Inn contribution.
- The Ashmore Tavern recorded a solid trading performance for the year. In particular, growth in the venue's bar, bistro and gaming was achieved in the period leading up to the Commonwealth Games with ongoing infrastructure spending. However, the emptiness of the Gold Coast streets was remarkable for the duration of the Games and the local economy remains slow. Post Commonwealth Games, sales while stable were slightly below the prior period through to the end of the financial year. During the period, reticulation equipment was upgraded to increase the number of beers available on tap in each bar, outdoor dining furniture was purchased and weatherproof shade sails, landscaping and lighting upgrades delivered an immediate uplift. Further substantial works are planned for the tavern. Bar and bistro turnover increased during the year and remains strong. Contribution from retail liquor sales was on par with the prior reporting period.
- Aspley Central Tavern trading was adversely affected by increased vacancy levels within the shopping centres noted above, and by the commencement of late night 4am gaming trade at the venue's closest competitor early in the period. An extension of the Aspley Central Tavern's gaming trading hours to 2am was approved and implemented in May 2018 and turnover has been steadily improving. Cost efficiencies were achieved, particularly with more efficient staffing, offsetting lower income levels in bistro and retail liquor.
- The overall result from the hotel segment marginally declined from \$1.557 million last year to \$1.511 million in the current year.

The Group continued to generate excellent cash flows from operations which were \$2.982 million during the year compared with \$1.718 million in the previous period. The substantial increase reflected the overall satisfactory trading of the Group's hotel operations, rental income from The Plough Inn head lease and the timing of annual insurance premium payments.

Strong financial position

The Group 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 head lease acquisition and to provide increased working capital for planned capital works at the Group's hotel and property assets.
- The Group's net debt (borrowings less cash) increased by \$13.677 million to \$20.604 million at 30 June 2018, primarily as a result of The Plough Inn head lease acquisition.

- The revaluations of the Group's land and building assets and its' investment properties following independent assessments by a member of the Australian Property Institute resulted in net gains after tax of \$452,000 and \$2.253 million respectively as at 30 June 2018.
- Net assets increased by \$2.332 million to \$38.553 million, representing equity of 105.0 cents per share (net tangible assets of 103.5 cents per share).
- The Group's net debt to net equity ratio was 53% at 30 June 2018, with earnings before interest, tax, depreciation and amortisation (excluding fair value revaluations and adjustments) of \$4.200 million comfortably covering net finance costs of \$654,000 during the year.

The continued strength of the Group's financial position provides scope for the planned capital improvements of the Group's hotel and property assets and the ability to sustain fully franked dividends to enhance shareholder value.

Final dividend

The Board is pleased to declare a final fully franked dividend of 3.30 cents per share (2017: 3.25 cents per share) with a Record Date of 5 September 2018, to be paid to shareholders on 17 September 2018. The final dividend brings total fully franked dividends for the 2018 financial year to 5.55 cents per share (2017: 5.50 cents per share).

To preserve cash reserves for expansion, the Board has recommended the Eumundi Group Limited Dividend Reinvestment Plan ("DRP") which will apply to the final dividend with a DRP issue price discount of 5% and a price cap of 84 cents per share. Shareholders who have not previously elected to participate in the DRP or wish to vary existing DRP participation should update their details online at www.investorcentre.com or by calling Computershare Investor Services on 1300 850 505 to obtain a DRP Election / Variation Form. The form must be received by the share registry on or before 5pm on Friday, 7 September 2018.

Outlook

Ashmore Tavern

A schedule of capital works was previously identified for a future upgrade of the lounge and sports bars, bistro deck and beer garden at the Ashmore Tavern. While some works were undertaken during FY2018, the balance was deferred and will be undertaken in the 3rd quarter of FY2019. 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 Shopping Centre & Aspley Arcade Shopping Village

Architects, Myers Ellyett, have substantially completed conceptual design and planning works for the Aspley Shopping Centre and the Aspley Arcade Shopping Village refurbishment. The works will establish separate food, ancillary medical and professional services precincts, with larger premises being subdivided into smaller more marketable tenancies in line with current retail trends. They will also create a presence on the previously neglected Gayford Street frontage which enjoys substantial traffic.

Specialist consultants and engineers have been engaged and tenders for construction will be sought within the coming weeks. Leasing agents have been appointed for the project and campaign materials are currently being developed.

Roof replacement of the Aspley Shopping Centre and the Aspley Arcade Shopping Village is already underway and will be completed in early September 2018.

The performance of the Aspley centres and the Aspley Central Tavern is likely to remain subdued during the major construction period, expected to be in the 2nd and 3rd quarters of FY2019.



Note: The design concepts shown above for the Aspley centres are current as at 25 August 2018 but are subject to change.

The total estimated investment of approximately \$3.5 million in the refurbishment of the Aspley Shopping Centre and the Aspley Arcade Shopping Village will transform the centres into an inviting landmark retail destination.

The Board looks forward to reporting on the progress of these exciting initiatives during the year.

Suzanne Jacobi-Lee
Chief Executive Officer