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**ASX RELEASE**

**Eumundi Group announces net profit after tax of \$1.190 million for HY2019**

**Net assets increase to 104.9 cents per share**

**Fully franked interim dividend of 3.20 cents per share**

Eumundi Group Limited (the "Group"), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$1.190 million for the half-year ended 31 December 2018. This represents earnings per share of 3.12 cents. The reported profit after tax included an income tax benefit of \$332,000 on restatement of deferred tax liabilities due to the change in the Group's tax rate from 30% to 27.5% on 1 July 2018.

The Group's net profit after tax of \$1.190 million compared with \$802,000 in the previous corresponding period (representing 2.18 cents per share).

Total comprehensive income of \$1.481 million included a \$291,000 gain net of tax on fair value revaluation of the Group's land and buildings attributable to directors' valuation of the Ashmore Tavern and the Aspley Shopping Centre. The prior year result included a \$988,000 gain net of tax on fair value revaluation of the Group's land and buildings predominantly attributable to an independent assessment of the Ashmore Tavern.

Excluding all fair value revaluations and adjustments, operating earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 18.3% from \$1.966 million to \$2.325 million in the period under review primarily due to rental income on acquisition of the Plough Inn from November 2017.

The half-year result was achieved on total revenue of \$13.151 million, an increase of 4.2% compared with total revenue of \$12.616 million for the prior comparative half-year.

Half-year ended 31 December (\$'000)	2018	2017	Change
<b>Revenue from ordinary activities</b>	<b>13,151</b>	<b>12,616</b>	<b>4.2%</b>
<b>EBITDA (excluding fair value revaluations and adjustments)</b>	<b>2,325</b>	<b>1,966</b>	<b>18.3%</b>
<b>Total comprehensive income</b>	<b>1,481</b>	<b>1,790</b>	<b>(17.2%)</b>
Fair value revaluations of land and buildings net of tax*	291	988	n/a
<b>Reported net profit after tax*</b>	<b>1,190</b>	<b>802</b>	<b>48.4%</b>
Net gain (loss) on fair value adjustment of investment property after tax*	(44)	(14)	n/a
<b>Net profit after tax (excluding fair value adjustments)</b>	<b>1,234</b>	<b>816</b>	<b>51.2%</b>
Income tax benefit on restatement of deferred tax balances due to the change in the Group's tax rate from 30% to 27.5% on 1 July 2018	(332)	-	n/a
<b>Net profit after tax (excluding fair value adjustments and restatement of deferred tax liabilities)</b>	<b>902</b>	<b>816</b>	<b>10.5%</b>
<b>Net assets per share (cents)</b>	<b>104.9</b>	<b>100.3</b>	
<b>Interim dividend (cents per share, fully franked)*</b>	<b>3.20</b>	<b>2.25</b>	

\* the Group's tax rate changed from 30% to 27.5% on 1 July 2018

### **Comments on result**

A summary of the HY2019 financial result and the significant operational developments for the Group during the period follows:

- The Ashmore Tavern recorded a solid trading performance in what has proven a difficult market post the Commonwealth Games. Gaming revenues fell only slightly while retail liquor was on par with the prior half-year period. Following the completion of outdoor dining improvements in the prior year, bar and bistro turnover increased by 7% and remains strong.
- As noted at the Group's Annual General Meeting in November 2018, Aspley Central Tavern trading was materially affected by increased vacancy levels within the shopping centres as expected due to the redevelopment of the Aspley investment properties, comprising the Aspley Shopping Centre and the Aspley Arcade Shopping Village. Bar and bistro revenues were on par with the prior half-year, however retail liquor sales decreased by 8%. Nonetheless, gaming revenue growth of 22% compared with the prior half-year following the approval of extended trading hours was the operational highlight. Employee expenses increased due to increased use of contract staff, higher staff costs attributable to extended gaming trading hours and award increases.
- Overall investment property revenues increased by 23% compared with the prior comparative period driven by revenues from the Plough Inn for the full half-year compared with two months in the prior comparative period. The Aspley investment properties experienced increased vacancies as noted previously. As a result, rental income from these assets decreased by 4% compared with the December 2017 half-year.
- Construction of the capital improvement works at Aspley is now underway and included:
  - roof replacement and air-conditioning upgrades in November 2018 totalling \$507,000; and
  - commencement of the Stage 1 redevelopment works with construction contracts entered into totalling \$3.621 million of which \$603,000 was recognised as at 31 December 2018.

The Group continued to generate strong cash flows from operations of \$1.665 million during the half-year compared with \$1.549 million in the corresponding period, largely reflecting increased rental income from the Plough Inn head lease offset by increased financing costs, underpinned by continued solid trading of the Group's hotel operations.

### **Financial position**

The Group remains in a strong financial position with the following matters of note in the half-year:

- The Group recognised a \$291,000 (net of tax @27.5%) gain on land and building assets, attributable to the directors' assessment of the Aspley Shopping Centre and the Ashmore Tavern.
- The Group paid a fully franked (at 30%) final dividend of 3.30 cents per share on 17 September 2018 in respect of the year ended 30 June 2018 and recommenced the Eumundi Group Limited Dividend Reinvestment Plan ("DRP"). The DRP participation rate of 96% ensured the Group preserved its cash position for the Aspley redevelopment works and resulted in an increase in issued capital from 36,723,117 to 38,107,696 shares.
- The Group's net debt (borrowings less cash) decreased by \$727,000 to \$20.332 million as at 31 December 2018.
- Net assets increased by \$1.426 million to \$39.979 million representing equity of 104.9 cents per share (net tangible assets of 103.5 cents per share).

- The Group's net debt to net equity ratio was 50.9% at 31 December 2018, with EBITDA excluding fair value revaluations and adjustments of \$2.325 million comfortably covering net finance costs of \$424,000 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 and the ability to sustain fully franked dividends to enhance shareholder value.

### **Interim dividend**

The Board is pleased to declare a fully franked (@ 27.5%) interim dividend of 3.20 cents per share with a Record Date of Monday 5 March 2019, to be paid to shareholders on Monday 18 March 2019.

The substantial increase in the interim dividend to 3.20 cents per share from 2.25 cent per share (fully franked @ 30%) in the prior corresponding period reflects the adoption of a revised policy to align the timing of dividend distributions more closely with the underlying earnings of the Group, the majority of which are typically generated in the first half of the financial year. Total dividends per share in the current financial year are not expected to change as a result of this revised dividend policy.

### **The Eumundi Group Limited Dividend Reinvestment Plan ("DRP") will apply to the interim dividend.**

Shareholders who have not previously elected to participate in the DRP or who wish to vary their DRP participation should update their details online at [www.investorcentre.com](http://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 Friday 8 March 2019.

**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](http://www.investorcentre.com) or by calling Computershare Investor Services on 1300 552 270.

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**

The performance of the Ashmore Tavern is expected to remain solid in spite of very competitive Gold Coast market conditions.

To ensure the Ashmore Tavern continues to attract and retain new customers, a redecoration of the sports bar was completed during February 2019 and an upgrade of the lounge bar will be undertaken in the coming months. Conceptual designs for further significant works including major expansion and improvement of the gaming room, expansion of the restaurant area, substantial outdoor improvements and car parking upgrades are in progress.

#### **Aspley investment properties**

The Aspley stage 1 refurbishment works are expected to complete in late May 2019. Priority will be given in the coming months to driving outcomes with a formal leasing campaign. The Aspley investment properties and the Aspley Central Tavern will continue to be affected during this period, however performance is expected to improve once works are complete and additional tenants are secured.

A conceptual design has been prepared for Stage 2 which involves potential construction of a new building on the property for a desired tenancy subject to a feasibility review.

The Board looks forward to reporting to shareholders on the progress of these major capital improvement initiatives which will significantly enhance the outlook for the Group.

A handwritten signature in black ink, appearing to read 'S. Lee', with a large, stylized loop at the beginning.

Suzanne Jacobi-Lee  
Chief Executive Officer