



EUMUNDI GROUP

24 February 2016

ASX RELEASE

Eumundi Group announces net profit after tax of \$0.679 million for HY2016 Fully franked interim dividend of 0.22 cents per share

Eumundi Group Limited (the "Group"), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$679,000 for the half-year ended 31 December 2015. This represents earnings per share of 0.2 cents.

The Group's net profit after tax of \$679,000 compared with \$789,000 in the previous corresponding period after excluding a net gain on fair value adjustment of investment properties of \$902,000 after tax.

The Board is pleased with the strong underlying performance of the Group having regard to the extensive disruption to the business from the major refurbishment of the Aspley Central Tavern.

The half-year result was achieved on total revenues of \$11,710,000, a 3% increase compared with underlying total revenue of \$11,389,000 in the December 2014 half-year. The prior comparative period included investment property revenues from Bribie Harbour Shopping Village of \$734,000 (sold in February 2015) and net gains on fair value adjustment of investment properties of \$1,289,000 before tax.

Half-year ended 31 December (\$'000)	2015	2014	Change
Reported revenue and other income	11,710	13,412	-13%
Rental income and recoverable outgoings relating to Bribie Harbour Shopping Village	-	734	
Net gain on fair value adjustment of investment property	-	1,289	
Underlying total revenue	11,710	11,389	3%
Reported profit after tax	679	1,691	-60%
Net gain on fair value adjustment of investment property after tax	-	902	
Profit after tax excluding fair value adjustment	679	789	-14%

Comment on result

The 2016 half-year included some significant operational developments for the Group:

- The major refurbishment of the Aspley Central Tavern commenced in March 2015 and was completed in mid-August 2015. The construction works required the closure of the venue's kitchen facilities and significantly constrained the operation of the business for five months.

In the first full four months of trade to 31 December 2015, Aspley Central gaming revenues increased by 18%, and bistro revenues increased by 56% over the comparative four month period in 2014. Bar and retail liquor sales were unchanged.

Costs associated with reopening the business were recognised in the half-year including recruitment, training, legal and professional fees. Increased advertising and promotional activities were undertaken and these will continue throughout the year in order to deliver business growth beyond the existing local customer base.

- Ashmore Tavern on-premise sales have increased significantly compared with the prior comparative half year with revenue growth in gaming of 22%, food 29% and beverages 9%, offset partly by a decline in retail and commercial liquor sales of 8%.

The decline in retail and commercial liquor sales during the half-year reflects the very competitive trading environment on the Gold Coast. However, extended on-premise trading hours were granted in November 2015 which provides an opportunity for future sales growth.

- Investment property operations remained relatively stable. However, the prior comparative period included revenues and expenses relating to the Bribie Harbour Shopping Village which was sold in February 2015.

The Group continued to generate excellent cash flow from operations of \$1,124,000 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 the Group to reduce bank debt, after funding capital works at the Aspley Central Tavern and gaming machine upgrades at both Ashmore Tavern and Aspley Central Tavern.
- The Group's net debt (borrowings less cash) was reduced by \$314,000 to \$7,916,000 at 31 December 2015, compared with \$8,230,000 at 30 June 2015.
- Net assets increased by \$563,000 to \$29,189,000 representing equity of 8.5 cents per share (net tangible assets of 8.3 cents per share).
- The Group's gearing ratio (net debt to total equity) declined further from 29% at 30 June 2015 to 27% at 31 December 2015.

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 0.22 cents per share with a Record Date of Friday 4 March 2016, to be paid to shareholders on Tuesday 15 March 2016. The interim dividend is 10% higher than last year's fully franked interim dividend of 0.2 cents per share.

The Eumundi Group Limited Dividend Reinvestment Plan ("DRP") will apply to the interim dividend with a DRP issue price cap of 6.6 cents per share. The last date for receipt of DRP election notices will be Tuesday 8 March 2016.

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 Shopping Centre & Aspley Arcade Shopping Village

In addition to generating a strong recurrent cash flow for the Group, capital improvement works are being investigated to improve leasing outcomes while having regard to long term development opportunities at the Aspley site.

In this respect, the combined Aspley land area of 1.5 hectares located on Brisbane's northern arterial road is zoned DC1, enabling long term development potential above the existing single level structures.

Ashmore Tavern

To improve competitiveness in the retail liquor market, upgrades of the Group's retail liquor premises commenced in February 2016. The main Ashmore Tavern liquor barn refurbishment is expected to be completed and reopened this month and the remaining works to the retail liquor stores are anticipated to be completed by 30 June 2016.

Planned renovations of the Ashmore Tavern's lounge bar and kitchen were previously deferred when market conditions deteriorated following the GFC. On-premise results have improved substantially over the past 12 months and accordingly further growth initiatives are being implemented.

Capital works are considered necessary to provide 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 success of recent capital improvement initiatives at Aspley Central Tavern and the Ashmore Tavern liquor barn during the year.



Suzanne Jacobi-Lee
Chief Executive Officer