



EUMUNDI GROUP

ASX RELEASE

Eumundi Group announces net profit after tax of \$1.464 million for FY2017 Fully franked final dividend of 3.25 cents per share

Eumundi Group Limited (the “**Group**”), the Queensland hotel and investment property company, is pleased to report a profit after tax of \$1,464,000 for the year ended 30 June 2017. This represents earnings per share of 4.03 cents.

The Group's net profit after tax increased by 2% to \$1,408,000 compared with \$1,382,000 in the previous corresponding period, excluding a net gain on fair value adjustment of investment properties of \$56,000 after tax (prior year gain of \$594,000 after tax).

The Board is pleased with the strong underlying performance of the Group's operations.

Total revenue for the year increased 5% to \$24,232,000 compared with \$23,139,000 last year.

Year ended 30 June (\$'000)	2017	2016	Change
Total revenue	24,232	23,139	5%
Reported profit after tax	1,464	1,976	-26%
Net gain on fair value adjustment of investment property	<u>56</u>	<u>594</u>	
Profit after tax excluding fair value adjustment	1,408	1,382	2%
Dividends (cents per share, fully franked)			
- Interim	2.25	2.20	
- Final	<u>3.25</u>	<u>3.30</u>	
Total dividends	5.50	5.50	

Highlights for the year

The operational highlight of the 2017 financial year was undoubtedly the strong performance of the Group's hotel operations at both the Ashmore Tavern and the Aspley Central Tavern.

- Ashmore Tavern gaming revenues were 6% above the prior period. Ongoing investment in gaming fleet upgrades, combined with our emphasis on customer service, ensured the venue remained one of the best on the Gold Coast. The venue also benefited from the investments made by the Group in the major upgrade of audio visual systems and landscaping works.
- Bar sales at Ashmore Tavern improved by 8% during the year with increased focus on live entertainment and sporting events. These efforts have been reflected in strong Sunday trading performance. Bistro sales at the Tavern remained steady in the face of high competition in the surrounding area.
- Retail liquor sales from the Ashmore Tavern had continued to decline in the first half of the year, but improved in the second half. While retail liquor sales for the full year finished 2% below the prior year, a stronger margin attributable to improved product mix and buying strategy resulted in a 1% increase in gross profit.

- Aspley Central Tavern revenues continued to grow in the 2017 financial year. Gaming revenues increased by 20%, with continued upgrades to the venue's gaming fleet. Bar and Bistro sales increased by 10% with a slight reduction in margins. Upgrades to the Group's retail liquor premises at Aspley Central Shopping Centre were completed in April 2017. Retail liquor sales increased by 38% over the prior period

In contrast to the strong performance of the Group's hotel operations, results from the investment properties (Aspley Arcade Shopping Village and Aspley Shopping Centre) were disappointing, particularly in the second half of the financial year. Returns were down significantly following the loss of several large tenants in addition, a number of repairs to the buildings were necessary, and retail leasing was challenging with strong competition from nearby centres.

Other comprehensive income included a revaluation increment of \$3,739,000 net of tax, mainly in relation to the Aspley Central Shopping Centre land and buildings.

Improved financial position

The Group continued to improve its already strong financial position during the year:

- The Group's ongoing strong operating cash flows of \$1,718,000 during the year enabled bank debt to be further reduced. It also funded investment in Aspley Shopping Centre reconfiguration works (approximately \$200,000) and investment in gaming and hotel equipment at the Aspley Central Tavern and Ashmore Tavern (approximately \$600,000 during the year).
- The Group's net debt was reduced by \$295,000 to \$6,927,000 at balance date, compared with \$7,222,000 at 30 June 2016.
- Net assets increased by \$4,286,000 to \$36,221,000 representing equity of 98.6 cents per share. Net tangible asset backing per share was 97.2 cents at 30 June 2017, from 88.7 cents per adjusted share at 30 June 2016.
- The Group's gearing ratio (net debt to total equity) declined further from 23% to 19% at 30 June 2017.

Final dividend

The Board is pleased to declare a final fully franked dividend of 3.25 cents per share (2016: 3.3 cents per share) with a Record Date of 8 September 2017, to be paid to shareholders in cash on 15 September 2017. The final dividend brings total fully franked dividends for the 2017 financial year to 5.5 cents per share (2016: 5.5 cents per share on an adjusted basis), in line with the prior year.

Outlook

In summary, the Group's hotel operations performed well, operating cash flows remained strong, debt was further reduced and net tangible assets per share continued to grow. The result for the second half of the financial year was particularly disappointing due to the unsatisfactory performance of the Group's investment properties. While the Group's results will continue to be affected in the short term, the initiatives implemented by the board should result in improved leasing outcomes. The board remains focused on improving the performance of the Aspley centres and achieving their substantial long term potential.



Suzanne Jacobi-Lee
Chief Executive Officer