

Company Announcements Office
Australian Stock Exchange Limited
SYDNEY NSW 2000

Eumundi Group Limited COVID-19 impact and profit guidance for the year ended June 2020

Eumundi Group Limited (the “**Group**”), the Queensland hotel and investment property company, provides shareholders with a COVID-19 update and profit guidance for the year ended 30 June 2020 (“**FY2020**”).

Prior to COVID-19, the Group had experienced relatively strong trading for the first three quarters of FY2020. The Group’s results were broadly in line with the prior year, taking into account the major development works being undertaken at the Group’s hotels.

From March 2020, COVID-19 had a significant impact on the Group’s business and its financial results. It is not feasible to quantify precisely the impact of the pandemic and associated government enforced preventative measures on the Group’s results as the effects, both positive and negative, and measures undertaken to manage the situation are interrelated and cannot be measured in isolation.

Nonetheless, the overall negative financial impact from COVID-19 on the Group’s FY2020 results has been profound.

Hotels

Gaming, bar and bistro operations at the Group’s hotels were closed by order of the Australian Government from midday on 23 March 2020. The Group’s corporate liquor division, predominantly servicing Gold Coast restaurants and bars, was also closed. Retail liquor was allowed to continue to trade and achieved strong sales growth, except for the Broadbeach liquor store which was significantly impacted by the lack of tourism.

The Group took all necessary steps to reduce controllable costs immediately, including standing down staff except where they were required for the continuing business operations. The Group applied for and received JobKeeper from April 2020, without which the Group would not have been able to continue to employ many of its staff.

Bar and bistro operations were permitted to reopen from 1 June 2020 under Stage 2 of the Queensland Government’s ‘*Roadmap to easing restrictions*’. However, venue capacity across the Group’s hotels was reduced by approximately 40% to achieve social distancing in accordance with industry approved COVIDSafe trading requirements.

After recognising Government COVID-19 related assistance totaling \$0.412 million, a profit of approximately \$0.099 million before tax (\$0.072 million net of tax) from hotel operations, including the Group’s retail liquor operation, was recorded in FY2020. This compares with a profit of \$1.310 million before tax (\$0.950 million net of tax) last year.

Investment property

Under the Australian Government’s ‘*Mandatory code of conduct for commercial leasing*’ and the Queensland Government’s *COVID-19 Emergency Response Act 2020* legislation, the Group was

compelled to provide rental support to affected tenants at its investment properties, including the Plough Inn. Support was provided to eligible tenants on a case-by-case basis, having regard for the decline in turnover of each, through measures which included rental waivers and deferrals and lease extensions.

After recognising Government COVID-19 related assistance totaling \$0.025 million, a trading profit of approximately \$2.161 million before tax (\$1.567 million net of tax) was achieved by the Group's investment property operations in FY2020. This compares with a profit of \$2.367 million before tax (\$1.716 million net of tax) last year.

The parent entity also received COVID-19 assistance of approximately \$0.074 million before tax (\$0.054 million net of tax) from various government agencies.

Property valuations

Each of the Group's investment property and land and building assets was recently independently valued by members of the Australian Property Institute having regard for the unprecedented economic circumstances.

Investment property assets were valued at \$34.400 million as at 31 December 2019. Based on the financial accounts as at 31 December 2019, subsequent redevelopment expenditure and capitalised lease incentives, the total valuations as at 30 June 2020 of \$32.700 million are expected to represent a decrement of approximately \$2.150 million to the Group's FY2020 profit and loss (\$1.56 million net of tax).

Land and building assets were valued at \$33.8 million as at 31 December 2019. Based on the financial accounts as at 31 December 2019 and taking into account subsequent redevelopment expenditure and capitalised lease incentives, the total valuations as at 30 June 2020 of \$29.3 million are expected to represent a decrement of approximately \$5.1 million through the Group's other comprehensive income (\$3.7 million net of tax).

FY2020 profit guidance

Taking into account the impacts of COVID-19 noted above, the Group expects to report a profit before income tax and fair value adjustments on investment property of approximately \$0.7 million – \$0.8 million in FY2020 (\$0.3 million - \$0.4 million net of tax). This compares with a profit of \$1.994 million calculated on the same basis last year (\$1.801 million net of tax).

Including fair value adjustments on investment property and land and buildings, the Group expects to report a comprehensive loss before tax of approximately \$6.4 million - \$6.6 million in FY2020 (\$4.8 million - \$5.0 million net of tax).

Cash position

Cash flows from operations were significantly impaired as a result of the COVID-19 business closures and support provided to retail tenants. However, the Group was well positioned to manage through this difficult period and retained access to available facilities of \$2.679 million at 30 June 2020, enabling planned capital works to be completed.

Capital works programme

Upon closure of the Group's hotels on 23 March 2020, and with COVID-19 capacity constraints anticipated to impact adversely the Ashmore Tavern gaming operations, the Board determined to bring forward planned capital improvements. Works on the enclosed bistro deck commenced on 1 June 2020 and completed on 23 July 2020 at a total cost of \$0.431 million.

Post June 2020

On 3 July 2020, under Stage 3 of the Queensland Government's '*Roadmap to easing restrictions*', gaming operations at the Group's hotels recommenced.

Immediately prior to reopening, Aspley Central Tavern had received confirmation from the Office of Liquor and Gaming that the application for extended liquor and gaming trading hours was approved, allowing the venue to trade until 2am for liquor and 4am for gaming, 7 days per week, bringing the venue's trading hours in line with other local hotels. The expansion of the Aspley Central Tavern gaming room in the prior year enabled the venue to open without loss of capacity in the gaming room, notwithstanding the new COVIDSafe social distancing requirements.

Due to the relatively small size of the Ashmore Tavern gaming room, only 28 of its 45 gaming machines were able to be occupied under Stage 3 easing of restrictions. Upon completion of the enclosed bistro deck on 23 July 2020, the gaming area was extended into the venue's lounge bar to achieve utilisation of all machines in peak trading periods.

At the Group level, overall contribution from hotel operations in July 2020 exceeded the prior year comparative despite the venues operating at approximately 40% reduced patron capacity.

Investment property operations remain constrained with support to affected tenants currently continuing. Leasing of vacant tenancies at the Aspley properties will remain challenging in the current uncertain economic environment.

The FY2020 financial statements are currently undergoing audit review, and the Group expects the audited accounts to be released on 31 August 2020.

Yours faithfully



Suzanne Jacobi-Lee
Chief Executive Officer



Ashmore Tavern enclosed bistro deck which was completed in July 2020