

17 August 2020

Gunyang Ski Lodge Limited
Chairman's Update - August 2020

This year has challenged every notion of life and business normality. The operations and financial results of Gunyang have also been severely affected. That said, the board have been very focused on ensuring that Gunyang remains open in a COVID-19 safe manner while maintaining a level of financial prudence. At times this has proven to be a challenge - especially when the bushfires in the Kosciuszko National Park are factored into the equation.

A few highlights:

Occupancy - From December 2019 until July 2020, Gunyang has been officially closed due to bushfires and the COVID pandemic. Within this period of time there have been a number of our normal peak income earning periods namely Christmas, New Year, Easter and the school holiday ski season.

Gunyang has been "open" for business since late July and we have a number of single family bookings that comply with COVID safe operating practices. We also expect that the December 2020 and January 2021 single family occupancy rate should be positive.

Financials - Our 30 June 2020 end of financial year resulted in total income of \$80,000 (versus budget of \$140,000). There was an operating loss of \$20,000 (versus a budget profit of \$30,000). The loss would have been greater if we had not received a \$10,000 bushfire relief grant from the NSW State Government.

Insurance - All accommodation in alpine areas has been affected by insurance premium increases because of the bushfire risk. Many traditional insurance providers are no longer prepared to cover properties in Thredbo Village. We understand that some insurance premiums have doubled as a result.

Expenses - The board have looked very carefully at operating expenses. We have suspended all rental payments to the lessor, Kosciuszko Thredbo, in accordance with the NSW Government guidelines. Other key utility expenses such as power and gas are being carefully looked at and while we expect to secure savings there are still base "line" fees to be paid. Also variable expenses relating to maintenance have been significantly pared back to reflect the much lower occupancy levels which have occurred.

Budget 2020 / 2021 - Our occupancy rate should result in income of approximately \$38,000. Subscriptions will total \$25,000 (after GST). We expect expenses to be approximately \$60,000 but this is on the basis that rental relief continues. We must aim to break even on the basis that there is no reduction of our bank overdraft which currently stands at approximately \$150,000.

Annual Levy – To break even as referred to above and to maintain appropriate security levels to ensure we can deal with any unforeseen operational / financial issues that may arise from the COVID pandemic, the board, at present and subject to any changes in the economy that might occur, proposes that there be a one off "COVID" increase in the annual subscription rate to \$550 including GST. This is in effect a "COVID levy" of an additional \$275 including GST.

If there is no change, as referred to above, shareholders can expect to receive their annual subscription notice in early January 2021. This is designed to enable Gunyang to continue to function and be available for you during these very uncertain and challenging times.

Your board remains very focused on ensuring Gunyang remains a low risk lifestyle asset for you; its shareholders. Because of the uncertainty of the COVID-19 pandemic and the health risks associated with it together with Government guidelines, it is necessary to take proactive financial steps to ensure we remain a strong going concern for your continued use.

AGM – We will still be holding an AGM, albeit a little differently this year due to COVID. Further details will be provided to members in the next few months. I will provide further details to members at the AGM about the annual levy and encourage all members to participate in the AGM.

I trust that all members understand why the proposals set out above are necessary and will support these decisions made by your board. We welcome any comments that you may wish to make.

Thank you for your continued support and we look forward to the return of pre-pandemic life.

Kind regards,



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JOHN QUINN, Chairman