

Registered Office

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GSH Announces 2020 Full Year Results

Good Spirits Hospitality Limited (NZX: GSH), today reports its audited results for the year ended 30 June 2020.

Key points:

- Operating profit before impairment and IFRS 16 changes of \$1.44m (2019: \$1.19m)
- Net cash from operating of \$4.8m (2019: \$2.3m)
- Reported loss after tax of \$5.8m (2019: \$185k profit) including:
 - non-cash impairment of goodwill of \$4.9m
 - non-cash impairment of property plant and equipment of \$59k
 - non-cash IFRS 16 - Depreciation of right-of-use assets of \$1.43m
 - non-cash IFRS 16 - Interest on leases of \$1.30m
- Re-negotiated banking facilities which gives the Company the opportunity to stabilise earnings in the wake of COVID-19 related lockdown restrictions

The 2020 financial year began well for GSH with a refreshed strategy, the new venues continuing to perform above expectation and the completion of the major development at Botany Commons.

The onset of the COVID-19 pandemic during the second half of the year saw GSH swiftly adapt its business operations to deal with the immediate and ongoing implications under alert level 1 and 2 restrictions. In addition, to minimise impact to the business under alert level 3 and 4, GSH removed all appropriate cost from the business. These actions ensured that the business was well positioned to operate once all restrictions are removed.

As such, the reported results (before non-cash write-down of goodwill, property plant and equipment and IFRS 16 changes) for the financial year are in line with our expectations after confronting the impacts of COVID-19.

The Board is required to assess the fair value of goodwill and property plant and equipment at each reporting period. It has decided to recognise \$4.9m impairment of goodwill and

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\$59k impairment of property plant and equipment. The Board's decision reflects the ongoing uncertainty of the impacts of COVID-19 on GSH. It should be noted that the most significant factor in the impairment of goodwill is a change to the discount rate used in prior years. This change in discount rate is driven by the overall macro environment (especially global uncertainty caused by COVID-19) rather than any factors specific to GSH.

Furthermore, the change in accounting policy also increased its assets through "Right-Of-Use" assets and liabilities through "Lease Liabilities" by \$14,910,363 as property leases have been brought "on balance sheet" which is consistent with the required accounting treatment of IFRS16.

Due to the uncertain trading environment with COVID-19, GSH is unable to provide guidance on earnings for the 2021 financial year at this time.

GSH Funding

As previously announced, the re-negotiated banking facilities provide GSH and its lender with a 5 month runway to recover from the impact of Covid-19 and improve the performance of the Group ahead of the reset of the financial covenants in February 2021.

No dividend

The Board has resolved that no dividend will be declared for the year ended 30 June 2020.

For further information, contact: Anthony Laus
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About Good Spirits Hospitality Limited

Good Spirits Hospitality is an NZX Main Board-listed investment company focusing in the Hospitality sector. The shell company was formed in December 2011 and acquired The Better Bar Company group business in November 2014.

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