**EPH Group Budget Overview**

The 2020 / 2021 budget has been the most challenging budgets to prepare.

The budgets have been prepared in a conservative manner, below I have highlighted points that are reflective of the budget.

**Budget Notes:**

**First Publishing Pty Ltd –** owns 1/1000th of Unit 12 – 25 Hutt Street – can be deregistered when Unit 25 – 12 Hutt Street is sold.

**EPI Communications Pty Ltd –** is a shareholder of Opinion Media Pty Ltd (TAR)

**23F Pty Ltd – The Adelaide Times – Global Intertrade Property Pty Ltd – JMFT (FST) –** Property entities that expense Land Tax and Depreciation.

**Euro Pacific Holdings Pty Ltd:**

Lower interest rate reducing Term Deposit returns.

The Alternative Property Trust was wound up the by June 30 2018 and as there was no liability no further interest payments are due.

The JMFT trust does not have a DIV7A loan to EPH and therefore only the annual profit distribution is due.

**Budget notes provided for companies below – just the headlines in this part**

**Global Intertrade Pty Ltd:**

Budget Notes provided – significant changes are – not replacing Maria Underwood and not continuing with the AMCHAM sponsorship.

**Terramoll Vineyards:**

Despite a very gloomy outlook across the board there is a silver lining in particular with Terramoll Vineyards. It is possible that the 2021 vintage will be a profitable one, we have been conservative on the Tonnage but the prices will not fall below (on average) the 2020 vintage.

The bush fires last summer may prove to be a bonus for Terramoll Vineyards due to a shortage of fruit over the next few years.

This is reflected in both the Terramoll and T&P budget notes.

**Terramoll Holding:**

Included in the budget is the dividend (due August) and the Mancave Trust distribution.

**Terramoll Winery:**

The final parcel of wine was sold in July 2020 to T&P.

The relevant point here is whether we need to keep this company active, given the licencing cost having gone from $805 pa to $1,800 pa.

**Teusner and Page - Mancave**

Todd and Kym have been conservative in the budget for revenue and expenditure, I have included a new worksheet called **Inventory.** I took the report that the Auditor requested and expanded a little bit to show the expenditure on purchases required for the production of the wines that are not reflected in the P&L.

**Property:**

The impact of Federal Government Policy will impact the Property Division for at least 2 years as David will highlight in his executive summary.

No CAPEX in this budget, however there is still CAPEX that has been signed off on that will be spent. Any further CAPEX request will be on case by case basis.

**Publishing:**

Publishing continues to record losses and will continue in this manner into the future, from a financial viewpoint it is not a viable business, if the purpose to continue is for social, political or public relations then it is a very expensive exercise. The publication goes to print today (27th July 2020) for the August edition. Closure would require preparing a new budget, closure of the companies would require a realignment of the finance department staff. ie Redundancy for Christine Smelt.

**Wages:**

Across the group wages have been reduced and those positions that have been made redundant have not been replaced. Maria Underwood is happy to come back when Mr and Mrs Moll visit and look after them. We see no need to replace her position at this stage.

Provision for a 1.75% wage increase has been included, those employees that are covered by an award are entitled to the increase, those not covered by an award, the increases are at Mr and Mrs discretion.

*Interesting Article:*

*Article from (AITI Director, Professor John Spoehr)*

*Double digit unemployment for the next few years, and a plunge in Gross State Product and slow recovery are the headline findings of a new Flinders University analysis of the impact of the COVID-19 pandemic on South Australia.*

*There’s no way of sugar coating it – the measures we have had to take to tackle the coronavirus crisis are having a profound impact on our state’s economy and employment and will continue to do so until at least 2024.*

*‘Some 61,000 people will lose their jobs, notwithstanding the JobKeeper initiative. If they’re factored in the total number of impacted jobs may be as high as 110,000. Unemployment will more than double from 52,000 to 117,000 in the current quarter and remain relatively high for the medium term; peak unemployment is expected to reach 13.3% and remain above 10% at the end of 2023.*

*‘Gross State Product will be 14.8% lower this quarter than it would have been without the COVID-19 restrictions, and recovery will be slow, with GDP remaining 6.4% lower than would otherwise have been the case at this time next year.*

*‘Our earnings from interstate exports will fall 18% and our overseas export earnings will plunge 23.5%*

*‘The direct shock to the state economy totals almost $5.1 billion. Importantly, some sectors will be more affected than others. Amongst the biggest employment sectors in this state are the ones most affected – retail, education and training, and accommodation and food services – with their losses far outweighing the growth experienced in other sectors such as hospitals, health care and telecommunications.*

*‘South Australia isn’t alone in this challenge – indeed, the actions necessary to contain the novel coronavirus have had profound impacts nationally and globally, with sharp declines in economic activity and escalating unemployment. However, our state is facing this crisis from a base of underperformance relative to other states, with lower GDP and lower employment growth than the nation as a whole.*