GOOD SPIRITS Hospitality

Annual Report

2023

Management commentary
(no financial statements)

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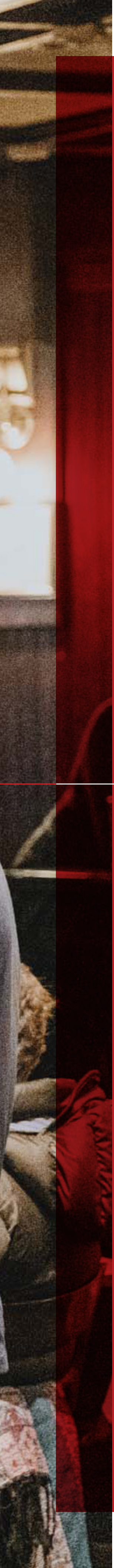
Management commentary
(no financial statements)



Management commentary
(no financial statements)

Chairman's Report

On behalf of the Board, I would like to present Good Spirits Hospitality Limited's (GSH or the Group) Annual Report for the year ended 30 June 2023.

Solid FY23 financial performance from operations

The Group delivered a solid financial result over the past financial year, reflecting a recovery in activity levels following the impact of COVID restrictions in FY22 and the focused efforts of the GSH team to deliver outstanding customer experiences across the Group.

FY23 RESULT SUMMARY

(% changes compared to prior comparative period):

- Operating Revenue increased 61% to $28.5m driven by the hospitality industry returning to a new trading environment subsequent to the removal of COVID restrictions.
- Reported EBITDA before unusual items increased to $4.3m (which included a part year contribution from the O'Hagan's venue whose lease expired on 19 December 2022), compared to $0.3m in the prior year.
- The Group reported an accounting Net Loss After Tax of $14.3m (compared to a loss of $6.6m in the prior year). There were a number of unusual items that contributed to the reported net loss, including a non-cash Goodwill impairment of $10.9m (FY22: $0.6m) and transaction costs of $1.2m.
- Operating cash flows (prior to unusual items) increased 75% to $3.9m (FY22: $2.2m).

Total operating revenue increased 61% on the prior year to $28.5m despite the closure of O'Hagan's at the end of November 2022. The improved result was driven largely by a recovery in activity levels supported by the absence of COVID-related venue closures, a progressive reopening of international borders and return of major events to Auckland, as well as targeted food and beverage price increases in response to inflationary pressures in key cost areas including labour and product supply.

Total operating revenue from the nine operating venues available for sale increased 63% on the prior year to $26.3m. Operating revenue in the second half of the financial year was slightly weaker than the first half, primarily driven by unexpected venue closures, adverse weather-related events and weaker than expected hospitality spending as a result of economic headwinds.

All operating venues traded profitably through the year and have emerged from COVID with strong momentum despite ongoing economic headwinds, tight labour market conditions and the impact of adverse weather-related events in early 2023, highlighting the resilience and popularity of the venues. The Board is especially pleased with the success of The Fox and Cellar Bar, two of the Group's relatively new venues which contributed a combined $5m in Operating Revenue in FY23, helping to consolidate the Group's position in Auckland's Viaduct precinct (alongside Danny Doolan's).

AGREEMENT TO SELL BUSINESS ASSETS

As previously announced to the market, following a strategic review of options available to address the Group's financial position, and in order to meet conditions of the debt extension agreed to with Pacific Dawn Limited, the Board decided in December 2022 to commence a process to sell the Group's operating venues.

After a lengthy, competitive and robust sale process run by a committee of the independent directors of GSH, working with corporate advisors Tonnant Partners, on 2nd August 2023 the Group entered into a conditional agreement to sell eight operating venues to Brew on Quay Limited for $20,701,400 plus GST (if any). The committee of the independent directors of GSH, and Tonnant Partners, identified the transaction with Brew on Quay as offering the best outcome for all GSH stakeholders. The transaction was negotiated at arm's length, with both GSH and Brew on Quay acting in their own interests.

The sale transaction is subject to several conditions, including shareholder approvals which will be sought at a Special Meeting of Shareholders anticipated to be held in conjunction with the Annual Shareholder Meeting in October 2023. GSH's largest shareholder, Pacific Dawn, which owns 24.99% of the shares, has confirmed it is supportive of the transaction. Subject to satisfaction of the conditions, GSH expects completion to occur in the fourth quarter of 2023.

Following the sale, the Group will have no operating business and the Board therefore intends to seek a delisting subject to usual NZX conditions. As there are no immediate plans for the Group to commence other cash generating operations, the Board intends to liquidate or deregister the companies within the Group following the sale.

The Board expects to send to shareholders a Notice of Meeting for a combined Special Meeting of Shareholders and Annual Shareholder Meeting in early October which will include an Independent Appraisal Report assessing the merits of the sale transaction.

AUDITED ACCOUNTS

The financial statements included in this Annual Report are audited and the Auditor has issued an unqualified opinion with an emphasis of matter due to the requirements of the going concern convention not being met and, therefore, the financial statements have been prepared on a liquidation basis. Directors are of the opinion that until the completion date of the sale of the business assets, the business will be able to pay its debts as and when they fall due particularly noting that the bank facility is due to be repaid on 31 December 2023. Directors have disclosed that the accounts are not prepared on a going concern due to the conditional agreement to sell the business assets of the company and that there are no immediate plans for the Group to commence other cash generating operations thereafter (see note 1.3 of the Notes forming part of the consolidated Financial Statements).

Management commentary
(no financial statements)

CONCLUDING REMARKS

On behalf of my fellow directors, I would like to extend my thanks to the Board and senior management team for their leadership and support of the business units, particularly while facilitating the sale process and preparing for a smooth transition of ownership.

I also thank you all for your patience as shareholders in Good Spirits Hospitality. It has been a challenging few years for the company and the hospitality sector. Unfortunately, despite the improved result, the Group's financial structure remains unsustainable due to the level of debt going into COVID, the impact of COVID-related restrictions on trading, and the increasing interest rate environment. It is disappointing that this has led to the decision to sell the venues, which the independent directors consider to be the best outcome for all GSH stakeholders. We look forward to providing you with further details at the upcoming combined Special Meeting of Shareholders and Annual Shareholder Meeting in October.

Regards

Matt Adams
Chairman, Good Spirits Hospitality Limited

Management commentary
(no financial statements)

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(no financial statements)

Directors' Profiles

Matt Adams

Bachelor of Commerce (Accounting and Business Law), Graduate Diploma in Finance and Applied Valuation (FINSIA)
Independent Director - Chair

Matt is an experienced finance professional with over 20 years' experience in executive level positions (both public and private companies). He commenced his career as a Chartered Accountant in the field of restructuring and operational turnaround in an Australian mid-tier accounting firm where he was a Partner for ten years and then Senior Managing Director. In 2015 he founded the boutique corporate advisory firm Dynamic Corporate Investments of which he is Managing Director.

He brings extensive experience in growth strategies, operational efficiency consulting, business M&A (including acquisitions, sales and business unit carveouts) and capital structuring/ improvement. He has overseen major operational and financial restructurings of many listed companies including multi-national and cross border transactions. He has broad industry experience across the hospitality, retail, property, healthcare, mining and mining services, technology and childcare sectors. He has strong networks across the private equity, hedge fund and banking sectors.

He currently acts as director and company secretary for a number of ASX listed companies.

He chairs the Remuneration and Nominations Committee for GSH and has been a Director since December 2019.

Carl Carrington

BE (Chem & Mats),
MBA (Cranfield), CMInstD
Independent Director

Carl is an experienced senior executive with significant hospitality experience. His senior management experience within the food & beverage sector is from DB Breweries, Lion Nathan and Heineken joint venture businesses in New Zealand, Asia and Australia including five years as Managing Director of the Heineken-Lion Joint Venture in Australia.

He is currently a Director of New Zealand Trade and Enterprise.

He chairs the Investment Committee for GSH and has been a Director since July 2018.

John Seton

LLM (Hons) Auck, LLB (VUW), CFInstD
Independent Director

John Seton is an experienced public company chair, director and operational CEO, and is a Chartered Fellow of the New Zealand Institute of Directors. John is a commercial lawyer who has practised in corporate and commercial law both in New Zealand and internationally and has extensive experience owning, managing and sitting on the boards of significant public and private business operations in a variety of industries including restaurants and wineries.

John brings a skill set covering corporate and project fundraising (both debt and equity, including a number of public company IPOs), transaction negotiation and management, mergers and acquisitions and steering businesses through periods of significant change.

He is the Chair of the Audit and Risk Management Committee and has been a Director since September 2021.

Management commentary
(no financial statements)

Corporate Governance Statement

This corporate governance statement outlines Good Spirits Hospitality Limited's ("GSH" or the "Group") compliance with the recommendations set by the NZX Corporate Governance Code (dated 17 June 2022) during the year ended 30 June 2023 and is current as at the date of this Annual Report. The policies and other documents referred to are published on our website under "Investors".

corporate governance statement

Management commentary
(no financial statements)

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Recommendation 1.1 Code of Ethical Behaviour

The board should document minimum standards of ethical behavior to which the issuer's directors and employees are expected to adhere and comply with the other more specific requirements of this recommendation.

The GSH Code of Ethics (the "Code") is fundamental to the way that GSH does business. The purpose of the Code is to set up a framework of standards by which GSH's Directors and employees are expected to conduct their professional lives.

The GSH Code of Ethics is available on GSH's website (www.goodspiritshospitality.co.nz).

Recommendation 1.2 Financial dealing policy

An issuer should have a financial product dealing policy which applies to employees and directors.

GSH is committed to ensuring compliance with all regulatory market requirements at all times. GSH's Financial Product Trading Policy and Procedures is a critical part of this commitment and of ensuring all Directors and employees of the Group are aware of their obligations and legal requirements for trading in GSH securities.

The GSH Financial Product Trading Policy and Procedures is available on GSH's website (www.goodspiritshospitality.co.nz).

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Recommendation 2.1 Written Board Charter

The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

The GSH Board Charter sets out how the Board exercises and discharges its powers and responsibilities, including through committees established by the Board, to protect and enhance the value of the assets of the Company in the interests of the Company and its shareholders. The Charter defines and prescribes the relationship between the Board, the Chief Executive Officer (CEO), and the executive team.

The Board has statutory responsibility for the affairs and activities of the Group, which in practice is achieved through delegation to the CEO of the day-to-day leadership and management of the Group.

The GSH Board Charter complies with Recommendation 2.1 and is available on GSH's website (www.goodspiritshospitality.co.nz).

Management commentary
(no financial statements)

Recommendation 2.2 Nominating and appointing directors to the board

Every issuer should have a procedure for the nomination and appointment of directors to the board.

The procedures for the nomination and appointment of Directors are covered by GSH's Remuneration and Nominations Committee (RNC) Charter, the Board Charter and the NZX Listing Rules.

Recommendation 2.3 Written agreements with each director

An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

The Directors enter into a written agreement establishing the terms of their appointment, including the Group's expectations for the role of director.

Recommendation 2.4 Information on directors

Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.

Profiles of each Director's experience, length of service, independence and ownership interests are included in the "Directors' Profiles" section of this Annual Report.

Directors who have held office during the year or after year end consist of:

Matt Adams (Independent Chairman / Director)	Mr Adams was appointed Independent Chairman on 28 June 2022.
Carl Carrington (Independent Director)	Mr Carrington was appointed 16 July 2018.
John Seton (Independent Director)	Mr Seton was appointed 6 September 2021.

Attendance at Board meetings

Directors attended the following total number of meetings during the accounting period ended 30 June 2023:

Matt Adams	11
Carl Carrington	11
John Seton	11

Management commentary
(no financial statements)

Recommendation 2.5 Diversity Policy

An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

GSH is committed to creating and maintaining an inclusive and collaborative workplace culture by recognising the values of a diverse and skilled workforce. This commitment extends to all areas of its business and is encompassed in the Group's diversity policy. As the Group believes in diversity, we will always employ the best person for any job opportunity. GSH does not set measurable objectives for achieving diversity.

As at 30 June 2023, the gender balance of the Group's Directors and officers was as follows:

	2023				2022			
	Gender Diverse	Female	Male	Total	Gender Diverse	Female	Male	Total
Directors	-	-	3	3	-	-	3	3
Officers	-	2	4	6	-	2	4	6

Recommendation 2.6 Director training

Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Directors on their own account attend to their training needs. The Group is committed to supporting their training, particularly on any issues specific to the Group's business.

Recommendation 2.7 Performance

The board should have a procedure to regularly assess director, board and committee performance.

In accordance with the GSH Board Charter, the Board reviews its performance as a whole on an annual basis. Performance reviews of individual Directors are undertaken as required and determined by the Board.

The Board reviews annually the performance, objectives and responsibilities of each committee.

Recommendation 2.8 Independent directors

A majority of the board should be independent directors.

As at 30 June 2023 all three of GSH's Directors were independent. As at the date of this Annual Report, all of GSH's Directors are independent.

In determining whether a Director is independent, the Board considers whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement and has regard to the factors referred to in the commentary to Recommendation 2.4 of the NZX Corporate Governance Code.

Recommendation 2.9 Chairman and CEO

An issuer should have an independent chair of the board. If the chair is not independent, the chair and the CEO should be different people.

GSH has an independent Chairman of the Board and the Chairman of the Board and the CEO are different people.

Management commentary
(no financial statements)

PRINCIPLE 3: BOARD COMMITTEES

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Recommendation 3.1 Audit Committee

An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not also be the chair of the board.

GSH's Audit and Risk Management Committee (ARMC) has a written charter and at the date of this Annual Report is solely comprised of Independent Directors. The Chairman of the ARMC is not the Chairman of the Board.

Current members: John Seton (Chairman), Carl Carrington, Matt Adams.

Mr Seton has a financial background including as Chair of Audit Committee for other companies.

The role and responsibility of the ARMC is defined in the ARMC Charter. The purpose of the ARMC is to assist the Board to fulfill its statutory and fiduciary responsibilities, by providing objective, non-executive review of the effectiveness of the external reporting of financial information, and the internal control environment of the Company, including obtaining an understanding of the tax and financial risks which face the Company.

The ARMC Charter is available on GSH's website (www.goodspiritshospitality.co.nz).

Attendance at Audit and Risk Management Committee meetings

Directors attended the following total number of meetings of the ARMC:

Matt Adams	2
Carl Carrington	2
John Seton	2

The ARMC usually only meet formally once a year. Other discussions pertaining to the ARMC during the accounting period ended 30 June 2023 were held with the full Board in attendance, including the appointment of a new Auditor.

Recommendation 3.2 Employees attendance at audit committee meetings

Employees should only attend audit committee meetings at the invitation of the audit committee.

GSH employees only attend ARMC meetings at the invitation of the ARMC. The Chair of the ARMC appoints a secretary for the ARMC, and the Chief Financial Officer (CFO) ordinarily attends.

Recommendation 3.3 Remuneration committee

An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

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(no financial statements)

GSH's Remuneration and Nominations Committee (RNC) operates under a written charter and at the date of this Annual Report is solely comprised of Independent Directors.

Current members: Matt Adams (Chairman), Carl Carrington.

The RNC, amongst other things, approves performance criteria and recommends remuneration for the Board, CEO and the CFO, and recommends incentive schemes and payments or other adjustments to executive remuneration to the Board, taking into account the executives' performance reviews with the Board.

GSH employees may only attend RNC meetings at the invitation of the RNC.

The RNC Charter is available on GSH's website (www.goodspiritshospitality.co.nz).

Recommendation 3.4 Nomination committee

An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

GSH does not have a separate nomination committee. The RNC and the Board as a whole undertake the role of nominations committee given the size of the Group. The RNC operates under a written charter (refer 3.3 above) and at the date of this Annual Report is solely comprised of Independent Directors.

Recommendation 3.5 Other committees

An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

The Board has a separate Investment Committee (IC), which has a written charter and, at the date of this Annual Report, is solely comprised of Independent Directors. It has been agreed that formal meetings of the IC will be held as and when required. The current members of the IC are Carl Carrington (Chairman) and Matt Adams. The IC Charter is available on GSH's website (www.goodspiritshospitality.co.nz).

For the accounting period ended 30 June 2023, an Independent Committee was formed and convened specifically for non-interested directors to address and determine matters in respect of the proposed sale transaction pursuant to the 30 September 2022 amendment to the loan facility. The Independent Committee is comprised of independent directors with no potential interest in the proposed sale transaction. The following Directors attended the following total number of meetings of the Independent Committee:

John Seton (Chair)	7
Carl Carrington	7

GSH has no other committees during the accounting period ended 30 June 2023.

Recommendation 3.6 Protocols for takeover offer

The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

GSH has established a takeover policy, including protocols, procedures and the establishment of an independent takeover committee, that has been approved by the Board.

Management commentary
(no financial statements)

PRINCIPLE 4: REPORTING AND DISCLOSURE

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Recommendation 4.1 Continuous disclosure

An issuer's board should have a written continuous disclosure policy.

GSH is committed to notifying the market through full and fair disclosure to the NZX of any material information related to its business required by applicable Listing Rules.

GSH's Continuous Disclosure Policy assists the Board with the need to keep GSH investors and markets informed through a timely, clear and balanced approach which communicates both positive and negative news.

GSH has appointed its CFO as the Disclosure Officer. The CEO and the executive team are required to provide all material information to the Disclosure Officer.

The Continuous Disclosure Policy is available on GSH's website (www.goodspiritshospitality.co.nz).

Recommendation 4.2 Make key documents available

An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

GSH's Code of Ethics, Board and Committee Charters, and other policies and key governance documents are available on GSH's website (www.goodspiritshospitality.co.nz).

Recommendation 4.3 Financial reporting

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.

The ARMC plays a central role in GSH's commitment to transparent reporting of its financial and non-financial performance. The ARMC Charter clearly defines the roles of the Board, the ARMC, officers and external auditors.

Financial reporting

Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

GSH's external auditor, UHY Haines Norton, is responsible for planning and carrying out each external audit in line with applicable auditing and review standards. UHY Haines Norton is accountable to shareholders through the ARMC and the Board respectively. The Board retains overall responsibility for financial reporting.

The ARMC makes sure that it and the full Board are sufficiently informed about good-practice financial reporting and GSH operations to know whether financial reporting is fit for purpose. This means it represents a balanced viewpoint, is factual and complete, and is effectively implemented.

Non-Financial reporting

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the Act) establishes a climate-related disclosure framework for New Zealand and makes climate-related disclosures mandatory for climate reporting entities (CRE).

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In December 2022, the XRB issued its Aotearoa New Zealand Climate Standards (NZ CS or Standards). CREs are required to make climate-related disclosures in their annual reports for accounting periods commencing on or after 1 January 2023.

GSH does not qualify as a CRE and has not adopted NZ CS nor opted to make climate related or other non-financial disclosures including environmental, economic and social sustainability governance reporting.

PRINCIPLE 5: REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

Recommendation 5.1 Director remuneration

An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Director's remuneration for the accounting period ended 30 June 2023 is disclosed in the Shareholder and Statutory Information section of the Annual Report and in note 25 to the Financial Statements.

Recommendation 5.2 Remuneration policy for directors and officers

An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

GSH's Director and Senior Management Remuneration Policy sets out policies which are fair, simple and transparent.

Remuneration of directors

Directors are entitled to remuneration from GSH for directors' fees, professional services provided and reasonable travel, accommodation, and other expenses incurred in the course of performing duties or exercising powers as directors. No Directors are entitled to any retirement benefits. Details of Director's remuneration are disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 25 to the Financial Statements.

Remuneration of GSH employees including officers

GSH provides the opportunity for its employees to receive, where performance merits, a total remuneration package for equivalent market-matched roles. GSH's Remuneration and Nomination Committee reviews the annual performance for all senior officers of the Group. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Total remuneration is made up of two components being: fixed remuneration and short-term performance-based cash remuneration.

Fixed Remuneration

Fixed remuneration consists of base salary.

Short-Term Incentive

Short-term incentives (STI) are at-risk payments designed to motivate and reward performance, typically in that financial year. The target value of an STI payment is set annually, usually as a percentage of the officer's base salary. The relevant percentage ranges from 10% to 20%.

Further information regarding employee remuneration is disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 25 to the Financial Statements.

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Recommendation 5.3 CEO remuneration

An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long-term incentives and the performance criteria used to determine performance-based payments.

Details of Geoff Tuttle's (CEO) remuneration arrangements during the accounting period ended 30 June 2023 are disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 25 to the Financial Statements.

PRINCIPLE 6: RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Recommendation 6.1 Risk management framework

An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

The GSH Risk Management Policy sets out policies which are fair, simple and transparent. These policies, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard GSH assets and improve its reputation;
- improve GSH operating performance; and
- fulfil GSH strategic objectives.

The risk management approach focuses on management of the following material business risks:

1. Operating risks;
2. Financial risks;
3. Organisational risks; and
4. Corporate risks.

The Board is ultimately responsible for overseeing the effectiveness of the risk management system, and the adequacy of internal compliance and controls, which it believes should be monitored and managed on a continuing basis. GSH has in place a number of mechanisms and internal controls intended to identify and manage areas of material business risk.

The ARMC is responsible for oversight, monitoring, and reviews. The CEO and senior management are responsible for promoting a culture of proactively managing risks and reporting to the ARMC.

Recommendation 6.2 Health and safety risks

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

GSH has appointed an internal health and safety officer who receives appropriate training on an ongoing basis. The Health and Safety Officer works with teams of staff across venue sites who work together to address health and safety risks and events that are recorded in the incident register. The Board receives Health, Safety and Employment (HSE) reports on a monthly basis at the Board meeting, including appropriate actions, mitigation and improvements, and resolution of matters.

Due to the size and nature of GSH business and associated health and safety risks GSH does not currently report externally on Health & Safety.

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(no financial statements)

PRINCIPLE 7: AUDITORS

The board should ensure the quality and independence of the external audit process.

Recommendation 7.1 Establish a framework

The board should establish a framework for the issuer's relationship with its external auditors. This should include certain specified procedures.

GSH's External Financial Auditors' Independence Policy sets out the work that the external auditor is required to do, what other services, other than statutory audit roles, the auditor may provide to the Company and specifies the services that the external auditor is not permitted to do. This ensures the ability of the auditor to carry out their role is not impaired and could not be reasonably perceived to be impaired.

All non-audit work that the external auditor performs must be approved by the Chairman of the ARMC. The approval details what work is to be performed and how auditor independence and objectivity are maintained.

GSH is committed to having financial reports externally audited to meet international accounting standards.

Recommendation 7.2 External auditor attend Annual Meeting

The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

GSH's external auditors have attended the Annual Meeting, where they have been available to answer shareholders' questions about the audit. GSH expects the auditor to attend the Company's 2023 Annual Meeting.

Recommendation 7.3 Internal audit

Internal audit functions should be disclosed.

GSH does not have an internal audit function.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Recommendation 8.1 Website

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

The Our Board, Market Announcements and Financial Reports sections of GSH's website contain financial and operational information and key corporate governance information about GSH.

Recommendation 8.2 Investor communications

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive

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communications from the issuer electronically.

GSH communicates with shareholders through multiple channels throughout the year, including through continuous market disclosure, half-year and full-year reporting, and the Annual Meeting.

GSH provides the option for investors to receive communications electronically, to and from both GSH and its share registrar.

Shareholders can access GSH's CEO and CFO who respond directly to shareholder phone calls and emails.

Recommendation 8.3 Shareholder right to vote

Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested in.

Major decisions that may change the nature of GSH and its business are presented as resolutions at shareholder meetings and voted on by shareholders.

Recommendation 8.4 Seeking additional equity capital

If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.

No additional equity capital was raised from investors during the year ended 30 June 2023. The Board will take into account Recommendation 8.4 if seeking additional equity capital.

Recommendation 8.5 Notice of Annual Meeting

The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

GSH endeavours to provide notices of annual and special meetings of quoted equity security holders as soon as practicable, and at least 20 working days prior to the relevant meetings where possible. GSH posts those notices on its website once available.

Compliance with NZX Corporate Governance Code

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(no financial statements)

The Board considers that, during the period 1 July 2022 to 30 June 2023, the Company did not comply with certain recommendations of the NZX Corporate Governance Code dated 17 June 2022. Details of such non-compliance are provided below. Where applicable, the Board has approved the alternative governance practice:

Recommendation	Alternative Governance Practice and Reason for the Practice	Applicable Period
Recommendation 2.5: An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	GSH did not set measurable objectives for achieving diversity. This is because GSH is committed to creating and maintaining an inclusive and collaborative workplace culture by recognising the values of a diverse and skilled workforce. This commitment extends to all areas of its business. As the Group believes in diversity we will always employ the best person for any job opportunity.	At all relevant times.
Recommendation 4.3: Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.	GSH did not provide non-financial disclosure during the year ended 30 June 2023. Due to the size and nature of GSH and its business GSH does not report on environmental, economic and social sustainability factors and practices.	At all relevant times.

Management commentary
(no financial statements)

Recommendation	Alternative Governance Practice and Reason for the Practice	Applicable Period
Recommendation 6.1: An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report on the material risks facing the business and how these are being managed.	To ensure GSH remains strategically competitive in its business GSH has not publicly reported on specific material risks facing the business and how these are being managed	At all relevant times.
Recommendation 6.2: An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.	Due to the size and nature of GSH, its business and the associated health and safety risks GSH does not currently report externally on Health & Safety. GSH has appointed an internal health and safety officer who receives appropriate training on an ongoing basis. GSH maintains a health and safety system to meet the requirements of the Health and Safety at Work Act 2005, and which includes performance and incident reporting to the Board on a monthly basis at the Board meeting.	At all relevant times.
Recommendation 7.3: Internal audit functions should be disclosed.	GSH's does not have an internal audit function and therefore no internal audit function was disclosed.	At all relevant times.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Directors' Responsibility Statement

The Board of Directors have pleasure in presenting the financial statements and audit report for Good Spirits Hospitality Limited for the year ended 30 June 2023.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Group as at 30 June 2023 and financial performance and cash flows for the year ended on that date.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Board of Directors of the Group authorised these financial statements presented on pages 31 to 68 for issue on 29 September 2023. This Annual Report is dated 29 September 2023.

For and on behalf of the Board

Matt Adams

Chairman

Good Spirits Hospitality Limited

John Seton

Independent Director

Audit and Risk Management Committee Chairman

Management commentary
(no financial statements)

Financial Report

FOR THE YEAR ENDED 30 JUNE 2023

FINANCIAL STATEMENTS

Directors' Approval of Consolidated Financial Statements

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 29 September 2023.

Approval by Directors

The Directors are pleased to present the Consolidated Financial Statements for Good Spirits Hospitality Limited for the year ended 30 June 2023.

For and on behalf of the Board of Directors

Matt Adams

Chairman

Good Spirits Hospitality Limited

John Seton

Chair, Audit and Risk Management Committee

UHY Haines Norton
Chartered Accountants

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Independent Auditor's Report

To the Shareholders of Good Spirits Hospitality Limited

Opinion

I have audited the consolidated financial statements of Good Spirits Hospitality Limited ("the Company") and its subsidiaries ("the Group"), which comprise:

- the consolidated statement of financial position as at 30 June 2023;
- the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements including a summary of significant accounting policies.

I am a partner with UHY Haines Norton Chartered Accountants Sydney (the Firm) and I have used the staff and resources of the Firm to perform the audit of the Group.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") issued by the New Zealand Auditing and Assurance Standards Board. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report.

I am independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other than in my capacity as auditor, neither myself, the firm or the firm's staff have no relationship with, or interests in, the Group.

Emphasis of Matter – Going concern no longer appropriate

I draw attention to Note 1 to the financial report, which discusses the directors' intention to liquidate the Companies in the Group after the sale of the business and assets, which is expected to close in November 2023. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. My opinion is not modified in respect of this matter.

UHY Haines Norton
Chartered Accountants

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements of the current year. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined the matters described below to be the key audit matters to be communicated in my report.

Why the audit matter is significant	How my audit addressed the key audit matter
Impairment of goodwill and other assets The Group recognises $12.4m of goodwill, $6.7m of operating assets and $11.3m of right of use assets at 30 June 2023. These assets are subject to an impairment test in accordance with NZ IAS 36 – *Impairment of Assets*. For the purposes of this test the assets are allocated to the individual bars as these are determined to be separate cash generating units (CGU's). I have determined that the calculation of the recoverable amount of goodwill, operating assets and right of use assets is a high risk to my audit given the significant value of these assets held on the balance sheet. I refer readers of the financial statements to Note 5, which discloses the goodwill impairments to the CGUs.	To address this risk, the following audit procedures were carried out , amongst others: • Reviewed the appropriateness of management's judgements that each individual bar/venue represented a specific CGU for the purposes of impairment testing of goodwill. • Obtained a copy of the signed agreement for the sale and purchase of the business and assets and deed of nomination. • Obtained managements calculation for the recoverable values of the CGU's, being prepared on a fair value less cost to sell (FVLCS) basis. • Agreed the underlying data within the FVLCS calculations to supporting information, including the above mentioned purchase and sale agreement, and the general ledger. • Cash flows for estimated remaining future operations to October 2023 have been agreed to management's cash flow forecasts, and actuals compared for the months of July and August 2023. • Checked key assumptions in the forecasts to the prior year calculations, and determined reasonability of any changes, and performed a sensitivity analysis to determine the extent to which changes would result in the carrying amount of goodwill exceeding the recoverable amount of the CGU's. • Verified management's determination of the carrying amount for each CGU and compared this against the CGU's recoverable amount. • Reviewed disclosures in the consolidated financial statements.

UHY Haines Norton
Chartered Accountants

Why the audit matter is significant	How my audit addressed the key audit matter
Going Concern no longer appropriate In December 2022 the Group announced that it was formally initiating a process to assess and sell certain bars and related assets of the Group. Subsequent to the reporting date, on 2 August 2023 the Company announced to the NZX that it has entered into a conditional agreement to sell the business and assets of nine operating venues of the Group for a purchase price of $20,701,400. It is envisaged that the transaction will be finalised during or as close to November 2023. Until the completion date the directors are of the opinion that the business will be able to pay its debts as and when they fall due particularly noting that the bank facility is due to be repaid on 31 December 2023 after the envisaged sale date. Once the transaction is finalised the Group will no longer own any cash generating operations, and I have been advised that there are no immediate plans for the Group in its current form to commence other cash generating operations. Accordingly, it is the current intention of the Board to liquidate the companies within the Group after completion of the sale. Consequently, the financial statements have been prepared on a liquidation basis. I refer readers of the financial statements to Note 1.3 and 2.1, which discloses the going concern and basis of preparation information.	To address this risk, the following audit procedures were carried out , amongst others: • Reviewed the documents in relation to the sale transaction • Obtained from management the latest cash flow forecast provided to Pacific Dawn Limited, which provides expected cash balances prior to the sale, and forecasts costs to 31 March 2024, which is the anticipated timing the group may be liquidated. • Reviewed the initial loan agreement contract and variations to determine the date the loan payable is required to be paid. • Discussed these forecasts with management, to understand the assumptions and timing of the expected liquidation. • Reviewed managements disclosure in the financial statements regarding the basis of preparation and that the going concern assumption is no longer appropriate.

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The Directors are responsible for the annual report, which includes information other than the consolidated financial statements and auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of audit opinion or assurance conclusion thereon.

UHY Haines Norton
Chartered Accountants

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based upon the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/.

This description forms part of my auditor's report.

Restriction on use of my report

This report is made solely to the Group's shareholders, as a body. My audit work has been undertaken so that I might state to the Group's shareholders, as a body those matters which I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Group and the Group's shareholders, as a body, for my audit work, for this report or for the opinion I have formed.

Mark Nicholaeff
Audit Partner - UHY Haines Norton Chartered Accountants Sydney
Signed at Sydney, Australia on 29 September 2023

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF

profit and loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2023	Note	2023	2022
Results from operations to be discontinued		**$**	**$**
Revenue	7	28,519,579	17,693,106
Government grants	2.20	-	1,854,055
Other income		54,597	5,284
Interest income		8,663	3,240
Changes in inventories of finished goods		(6,041,403)	(4,067,022)
Employee benefits expense (Wage & salaries)		(9,305,684)	(8,396,353)
Employee benefits expense (Kiwi saver contributions)		(186,846)	(144,193)
Depreciation expense	16	(916,019)	(961,138)
Depreciation of right-of-use assets	15	(1,102,325)	(1,375,587)
Interest expense – financial liabilities at amortised cost	21.3	(3,825,815)	(3,419,991)
Bank Fees		(21,323)	(14,356)
Interest on leases	15	(1,319,675)	(1,334,631)
Other expenses	9	(6,547,589)	(4,748,745)
Fixed Asset disposal		(94,591)	-
Restructuring and advisory costs		-	(122,381)
Due diligence		(46,047)	(1,504,176)
Sale transaction costs		(1,147,720)	-
Rent concessions		-	235,214
Gain on lease modifications		-	326,510
Financial guarantee liability gain / (expense)	31	(2,870)	93,064
Property, plant & equipment impairment	16	(24,509)	-
Right-of-use assets impairment	15.1	-	(489,219)
Goodwill impairment	5	(10,872,575)	(621,899)
Operating loss before income tax		**(12,872,152)**	**(6,989,218)**
Income tax (expense) / benefit	10	(1,403,533)	387,579
Loss for the year attributable to owners		**(14,275,685)**	**(6,601,639)**
Total comprehensive losses for the year attributable to owners		**(14,275,685)**	**(6,601,639)**

Earnings per share / losses from operations attributable to equity holders of the Parent Company during the period:	Note	2023	2022
		$	**$**
		cents	**cents**
Basic EPS from operations	**23**	**(24.73)**	**(11.43)**
Diluted EPS from loss for the period	**23**	**(24.73)**	**(11.43)**

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF financial position

AS AT 30 JUNE 2023

	Note	2023	2022
ASSETS		**$**	**$**
Cash and cash equivalents	30	341,035	832,739
Restricted cash	30	75,000	416,649
Trade and other receivables	12	316,859	221,495
Prepayments	13	100,036	302,345
Inventories	14	-	509,479
Current tax asset	11	1,379	8,998
Assets in disposal groups held for sale	32	31,315,239	-
Property, plant and equipment	16	-	6,784,285
Right-of-use assets	15	-	11,440,245
Intangible assets	5	-	23,120,889
Deferred tax asset	11	-	1,403,260
TOTAL ASSETS		**32,149,548**	**45,040,384**
LIABILITIES			
Trade and other payables	18	2,578,412	2,999,853
Employee Entitlements	20	-	938,395
GST Payable		272,207	557,767
Lease liabilities	15	-	13,709,049
Financial guarantee liability	31	-	3,300
Liabilities in disposal groups held for sale	32	15,081,715	-
Provisions for make-good obligations	19	100,000	600,000
Borrowings	21	33,720,243	31,559,364
TOTAL LIABILITIES		**51,752,577**	**50,367,728**
NET LIABILITIES		**(19,603,029)**	**(5,327,344)**
EQUITY			
Share Capital	22.1	35,179,408	35,179,408
Accumulated Losses		(54,782,437)	(40,506,752)
TOTAL EQUITY		**(19,603,029)**	**(5,327,344)**

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF

changes in equity

FOR THE YEAR ENDED 30 JUNE 2023

	Share Capital $	Accumulated Losses $	Total Equity $
Balance at 30 June 2021	**35,179,408**	**(33,905,113)**	**1,274,295**
Loss for the year	-	(6,601,639)	(6,601,639)
Total comprehensive loss for the year	-	**(6,601,639)**	**(6,601,639)**
Balance at 30 June 2022	**35,179,408**	**(40,506,752)**	**(5,327,344)**
Loss for the year	-	(14,275,685)	(14,275,685)
Total comprehensive loss for the year	-	**(14,275,685)**	**(14,275,685)**
Balance at 30 June 2023	**35,179,408**	**(54,782,437)**	**(19,603,029)**

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF

cash flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
Cash flows from operations to be discontinued		**$**	**$**
Receipts from customers		28,765,864	17,718,512
Government grants	2.20	-	1,854,055
Other Income		27,097	5,284
Interest received		8,663	3,240
Payments to suppliers and employees		(22,974,483)	(16,097,042)
Interest expenses		(1,874,936)	(1,221,645)
Bank fees		(21,323)	(14,356)
Cash flows from operations prior to unusual items		**3,930,882**	**2,248,048**
Cash outflows from restructuring and advisory costs		-	(122,381)
Cash outflows from due diligence		(46,047)	(1,504,176)
Cash outflows from sale transaction		(1,030,481)	-
Financial guarantee liability	31	(2,870)	-
Net cash inflows from operating activities	29.1	**2,851,484**	**621,491**
Purchase of property, plant and equipment		(844,700)	(2,794,764)
Purchase of business assets	6	(246,926)	-
Net cash outflows from investing activities		**(1,091,626)**	**(2,794,764)**
Other borrowings drawn down	21	300,000	-
Repayment of borrowings		(62,500)	-
Interest paid on lease liabilities		(1,319,675)	(1,334,631)
Principal paid on lease liabilities		(779,334)	(600,794)
Bank borrowings drawn down		-	2,500,000
Net cash inflows / (outflows) from financing activities		**(1,861,509)**	**564,575**
Net decrease in cash and cash equivalents		(101,651)	(1,608,698)
Cash and cash equivalents within disposal groups held for sale		(52,420)	-
Restricted cash within disposal groups held for sale		(337,633)	-
Cash and cash equivalents at beginning of the year		832,739	2,441,437
Cash and cash equivalents at end of the year	30	**341,035**	**832,739**

Notes to the Financial Statements

FOR THE YEAR ENDED
30 JUNE 2023

1. GENERAL INFORMATION

Good Spirits Hospitality Limited is an investment company with shareholdings in New Zealand businesses in the hospitality sector.

1.1 Entities reporting

These financial statements are for Good Spirits Hospitality Limited ("GSH") and its subsidiaries (together "the Group").

The Group is considered a Tier 1 profit-oriented entity for financial reporting purposes.

1.2 Statutory base

Good Spirits Hospitality Limited is registered in New Zealand under the Companies Act 1993 and is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013 (FMCA). The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the FMCA and the NZX Listing Rules as applicable to the NZX Main Board.

Good Spirits Hospitality is domiciled and incorporated in New Zealand. Its registered office is at The Cav, 68 College Hill, Freemans Bay, Auckland 1011.

There have been no changes made to accounting policies unless otherwise stated

1.3 Going concern

In December 2022 the Group announced that it was formally initiating a process to assess and sell certain bars and related assets of the Group. In the Group's unaudited 31 December 2022 interim financial statements, the Group presented Assets held for sale of $6,768,029 relating to specific sites . At that time, the sales process was still in progress.

The sale process resulted in final bids being received for the business and assets of nine operating venues of the Group on the 5th of July 2023.

Subsequent to reporting date, on 2 August 2023 the Company announced to the NZX that it has entered into a conditional agreement to sell the business and assets of eight operating venues of the Group for a purchase price of $20,701,400.

It is envisaged that the transaction will be finalised during or as close to November 2023 and until the completion date the directors are of the opinion that the business will be able to pay its debts as and when they fall due particularly noting that the bank facility is due to be repaid on 31 December 2023.

Once the transaction is completed the Group will no longer own any cash generating operations, and there are no immediate plans for the Group in its current form to commence other cash generating operations. Accordingly, it is the current intention of the Board to liquidate the companies within the Group. Consequently, the financial statements have been prepared on a liquidation basis (refer to note 2.1 for further details on how these financial statements have been prepared).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

As noted in note 1.3 above, from the date of completion of the sale the Group is not considered to be a going concern and accordingly these consolidated financial statements are prepared on a liquidation basis for the current reporting period. Prior year comparatives have been remapped for consistency to the current period.

Irrespective of this fact, the obligation remains for the Group to prepare financial statements that in all material respects, comply with the recognition, measurement, presentation and disclosure requirements of Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

Accordingly, in preparing these consolidated financial statement the Group has ensured that the specific facts and circumstances related to the Group's inability to continue as a going concern have been considered in the application of the recognition, measurement, presentation and disclosure requirements of the individual NZ IFRS that are relevant to the Group and reflected in its accounting policies, as well as ensuring that the consolidated financial statements in aggregate present information that is relevant and understandable to users and stakeholders, including:

- Presenting the gross results and cash flows of the Group in the Consolidated Statement of Profit & Loss & Other Comprehensive Income and Consolidated Statement of Cash Flows as being from "operations to be discontinued".
- Presenting the assets and liabilities of the Group in the Consolidated Statement of Financial Position in order of liquidity.
- Updating key management judgements and estimates based on facts and circumstances that existed as at reporting date, and making any necessary adjustments to the carrying values of the Group's assets and liabilities including:
  - Re-assessing the remaining useful lives and recoverable amounts of items of property, plant and equipment, and any individual impairment requirements.
  - Re-assessing the net recoverable value (NRV) of inventory.
  - Re-assessing the recoverability of deferred tax assets.
- Assessing whether the criteria for Held for sale classification were met as at reporting date with respect to the operating venues that have subsequently been sold, and if so what assets and liabilities are to be included with (each) disposal group.
- Testing the carrying value of each disposal group (which includes goodwill) for impairment immediately prior to being classified as a disposal group Held for sale, and changing the method of determining the recoverable amount from value-in-use, to fair value less cost to sell.
- Ensuring that the recognition of any employee (termination) benefits and other (restructuring) provisions only occur where the required criteria of the applicable NZ IFRS has been met at reporting date (any material subsequent payments or accruals are disclosed in note 33 Events after reporting date).

In applying the above, these financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

These financial statements have been prepared under the historical cost convention unless otherwise noted in the separate accounting policies and notes below.

2.2 Principles of consolidation

The consolidated financial statements incorporate the financial statements of all subsidiaries of Good Spirits Hospitality Limited ("Parent") as at the reporting date. Good Spirits Hospitality Limited and its subsidiaries together are referred to in these financial statements as the "Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation. They are fully consolidated from the date on which control is transferred to the Parent. They are de-consolidated from the date that control ceases or they cease to be part of the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-making body. The chief operating decision-making body responsible for allocating resources and assessing performance of operating segments is the Board of Directors.

2.4 Functional and presentation currency

The functional currency of GSH is New Zealand Dollars ($) and this is also the Group's presentation currency. Amounts are rounded to the nearest dollar. Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax (GST) and discounts, to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured.

Revenue consists of bar sales, gaming income and door cover charges. Bar sales are recognised when the Group sells to the customer and are usually in cash and the recorded revenue is the amount of the sale, net of any applicable discounts. Gaming income is recognised in revenue in the period to which it relates. Door cover charges are recognised when they are received. All revenue streams are recognised at a point in time.

2.6 Interest bearing liabilities

Interest bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short term deposits with an original maturity of greater than three months are also included within cash and cash equivalents if the term deposit can be terminated at an earlier date, without incurring penalties.

2.8 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in New Zealand, where the Group operates.

2.9 Inventories

Raw materials and finished goods are stated at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Supplier rebates are recognised against inventories when the goods are received by the bars.

2.10 Goods and services tax

The statement of profit & loss and other comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2.11 Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity.

(a) Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.12 Property, plant and equipment

Property, plant and equipment is initially recorded at cost, including costs directly attributable to bring the asset to its working condition and thereafter at cost, less accumulated depreciation and any accumulated impairment losses. Any expenditure that increases the economic benefits derived from the asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefits is expensed in the period it occurs.

Depreciation of property, plant and equipment (PPE) is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives. The rates are as follows:

Fixtures plant and office equipment	8 - 50%
Vehicles	12 - 30%
Computer equipment	20 - 50%
Lease improvements	4 - 20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit and loss.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

2.13 Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit (CGU) or groups of CGUs that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.14 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group tests the carrying amounts of its tangible and intangible assets, other than inventories and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. In each CGU, impairment testing is first reviewed against goodwill and then other assets are reduced pro rata.

Recoverable amount is the higher of fair value less costs to sell and value in use.

- In assessing value in use of the Group's CGUs in 2022, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and value of money and the risks specific to the asset for which the estimates of future cash have not been adjusted.
- In assessing fair value less cost to sell of the Group's CGUs in 2023, the estimated future cash flows incorporate cash flows both from the estimated remaining future operations of the CGU before sale, and the eventual estimated sale proceeds (less costs to sell). The estimated remaining cash flows from future operations are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment expense would be allocated first to goodwill, then proportionately to all other assets in the CGU subject to the impairment requirements.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.15 Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group by suppliers in the ordinary course of business prior to the end of the financial year that are unpaid and arise when the Group become obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within normal business trading terms.

2.16 Employee entitlements

Liabilities for wages, salaries and annual leave are recognised in the provision for employee benefits and measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for termination benefits are recognised at the earlier of the date the offer for the benefits cannot be withdrawn, and the date that restructuring costs (that include the payment of employee termination benefits) are permitted to be recognised as a provision (refer note 2.23).

2.17 Leases

In applying NZ IFRS 16 the Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they are dependent on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability may also include:

- amounts expected to be payable under any residual value guarantee
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.18 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is computed based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS is computed based on the weighted average number of ordinary shares plus the effect of dilutive potential ordinary shares outstanding during the period.

2.20 Government grants

Government grants are initially recognised as a liability and then recognised as other income (with the liability being extinguished) when the employee is paid. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. The Company received Government grants in the form of COVID-19 related employee wage subsidies received from the Ministry of Social Development (MSD) and the IRD resurgence support payment.

Revenue recognised by the Company include:	**2023**	**2022**
	$	**$**
COVID-19 employee wage subsidy	-	1,641,881
IRD resurgence support payment	-	212,174
	-	**1,854,055**

2.21 Unusual items

Transactions are classified as unusual items when they meet certain criteria approved by the Group's Audit and Risk Committee. Unusual items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as unusual items include restructuring costs; acquisition and disposal costs; impairment or reversal of impairment of assets; business integration; and transactions or events outside of the Group's ongoing operations that have a unusual impact on reported profit.

2.22 Financial Guarantee Contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument (see note 31).

Financial guarantees issued by the Group are initially measured at their fair value and are included in 'Financial guarantee liability' (see note 26.5). Subsequent to initial recognition, financial guarantees are recognised at the higher of the amount of the loss allowance determined using the Expected Credit Loss Allowance and the amount initially recognised less any associated income (if applicable).

2.23 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

In addition, provisions for restructuring costs are only recognised where a detailed plan of the restructuring has been formalised, and the main features of the restructuring plan have been formally communicated to parties that will impacted such that it creates a valid expectation that the restructuring will be carried out.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Disposal groups held for sale and discontinued operations

2.24.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale when:

They are available for immediate sale;
- Management is committed to a plan to sell or distribute to owners;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:
- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following the classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

2.24.2 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

As the Group has been determined to no longer be a going concern (refer note 1.3) the entity in totality, rather than a discrete component(s), is to be discontinued. Accordingly, there are no "discontinued operations" to be presented distinct from other continuing operations of the Group.

For clarity, the gross results and cash flows of the Group in the Consolidated Statement of Profit & Loss & Other Comprehensive Income and Consolidated Statement of Cash Flows have been denoted as being from "operations to be discontinued".

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the Group's critical judgements and estimates:

3.1 Going concern

The Directors have disclosed in note 1.3 that the Group is no longer a going concern, and that the financial statements have therefore not been prepared on a going concern basis.

3.2 Tax

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered from future expected profits.

3.3 Interest bearing liabilities

The Directors have disclosed in note 21 the capitalisation of financing costs against borrowings, which will be amortised to interest expense over the life of the facility.

3.4 Provision for lease obligations

The Directors have disclosed in note 19 the estimated provision for lease obligations which covers the make good liability at the end of a lease.

3.5 Financial guarantee liability

The Group provides a financial guarantee to a landlord relating to a venue the group previously operated (see note 31).

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

4.1 Standards, amendments and interpretations

4.1.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

There were no new standards applied during the period.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5. INTANGIBLE ASSETS

Goodwill	Note	2023 $	2022 $
Opening balance net book value		23,120,889	23,742,788
Goodwill on acquistion	6	141,763	-
Impairment of goodwill		(10,872,575)	(621,899)
Transferred to assets in disposal groups held for sale	32	(12,390,077)	-
Closing net book value		**-**	**23,120,889**

Goodwill arose on the acquisition of Good Spirits No.1 Limited (GSH No.1) and subsequent bars purchased. It has been allocated to its nine cash generating units (CGU). The individual bars are determined to be separate CGUs.

The fair value less costs of sale calculations are based on financial budgets and business plans approved by the Directors up until the estimated date of sale, as well as estimates for the expected sale price and costs of sale.

The carrying values at 30 June 2023 relate to the remaining goodwill up until the estimated date of sale. As a direct result of the sale of the business, the Directors resolved to impair goodwill of $10,872,575 across the following venues.

Below is a summary of goodwill impairment during the reporting period:

	2023 $	2022 $
Danny Doolan's	4,470,158	-
O'Hagan's	310,950	621,899
The Cav	2,934,155	-
Doolan Brothers Ellerslie	1,375,650	-
Citizen Park	1,781,662	-
	10,872,575	**621,899**

Goodwill has been allocated to the following CGU's:

	2023 $	2022 $
Danny Doolan's	6,927,106	11,397,264
O'Hagan's	-	310,950
The Cav	975,905	3,910,060
Botany Commons	280,099	280,099
Doolan Brothers Ellerslie	1,858,520	3,234,170
Citizen Park	384,610	2,166,272
Union Post	1,415,911	1,415,911
C&B Hamilton	406,163	406,163
The Cellar Bar	141,763	-
	12,390,077	**23,120,88**

The key assumptions used for the discounted estimated future cash flows for all CGUs are as follows (2022: Value-in-use calculation):

	2023	2022
Pre-tax discount rate	22.5%	22.1%
Cash flow forecast period	4 months	3 years
Terminal growth rate	0.0%	2.0%

As part of the annual impairment assessment, the Group also performed a sensitivity analysis against the key assumptions. Due to the short time frame of the forecast period there was no reasonable change in assumptions that would materially impact the fair value less cost of sale valuation.

6. ACQUISITIONS

During the year, the Group acquired The Cellar Bar on 4 August 2022 for $237,263 plus stock of $9,663. The Cellar Bar is located next to GSH's iconic Danny Doolan's bar in the Viaduct. The addition of this Viaduct venue complements GSH's Danny Doolans site by extending its footprint and adding a new product offering to the brand. As part of the purchase, GSH was assigned the current lease of the premises with an initial term of 6 years plus 1 further right of renewal of three years. Details of the assets acquired and goodwill are as follows:

	2023
	$
Goodwill	141,763
Inventories	9,663
Property, plant and equipment	95,500
Net assets purchased	**246,926**

7. REVENUE

	2023	2022
Revenue of bars:	$	$
Auckland	25,934,603	15,911,373
Hamilton	2,584,976	1,776,449
	28,519,579	**17,687,822**

8. SEGMENT REPORTING

The Group is organised into the following business segments, predominantly reflecting trading divisions in the Group:

- Good Spirits Hospitality Limited
- Good Spirits Hospitality No.1 Limited
- Good Spirits Hospitality No.2 Limited (non-trading)
- Good Spirits Hospitality No.3 Limited

8.1 Good Spirits Hospitality No.1 Limited (GSH No.1 Ltd)

This segment includes the business activities of Good Spirits Hospitality No.1 Limited which operates a chain of nine bars based in Auckland and one based in Hamilton.

8.2 Good Spirits Hospitality No.1 Limited (GSH No.3 Ltd)

This segment includes the business activities of Good Spirits Hospitality No.3 Limited which operates one bar based in Auckland (The Cellar Bar).

8.3 Geographical

GSH and its subsidiaries operate within New Zealand and derived no revenue from foreign countries for the year ended 30 June 2023 (2022: nil).

8.4 Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2023 (2022: nil).

8.5 Capital expenditure (including software)

	Note	2023	2022
		$	$
GSH No.1 Ltd		520,263	2,794,764
GSH No.3 Ltd		419,937	-
	16	**940,200**	**2,794,764**

8.6 Corporate

Corporate includes the activities of the Parent Company.

The Board of Directors ("The Board") continues to be the Chief Operating Decision Maker ("CODM") for the Group as it is responsible for allocating resources and assessing performance across the Group. For each of the entities the Board reviews management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table below. Performance is measured based on segment EBITDA before unusual items as included in the management reports that are reviewed by the Board. Segment EBITDA before unusual items is used to measure performance as the Board believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	2023			2022		
	Revenue	EBITDA	EBITDA before unusal items	Revenue	EBITDA	EBITDA before unusal items
	$	$	$	$	$	$
GSH No.1 Ltd	28,077,152	(4,059,667)	5,888,998	17,698,390	2,778,363	1,299,268
GSH No.3 Ltd	497,024	102,741	102,741	-	-	-
Corporate	-	(1,738,732)	(1,692,685)	-	(2,665,118)	(1,038,561)
Group	**28,574,176**	**(5,695,658)**	**4,299,054**	**17,698,390**	**113,245**	**260,707**
Unusual items						
Restructuring and advisory costs		-	-		-	(122,381)
Due diligence		-	(46,047)		-	(1,504,176)
Sale transaction costs		-	(1,147,720)		-	-
Depreciation of right-of-use assets		(1,102,325)	(1,102,325)		(1,375,587)	(1,375,587)
Interest on leases		(1,319,675)	(1,319,675)		(1,334,631)	(1,334,631)
IFRS 16 payments		-	2,099,009		-	1,935,425
Rent concessions		-	-		-	235,214
Gain on lease modifications		-	-		-	326,510
Financial guarantee liability (note 31)		-	(2,870)		-	93,064
Property, plant & equipment impairment		-	(24,509)		-	-
Right-of-use assets impairment		-	-		-	(489,219)
Goodwill impairment		-	(10,872,575)		-	(621,899)
Depreciation and amortisation		(916,019)	(916,019)		(961,138)	(961,138)
Finance expense (net of income)		(3,838,475)	(3,838,475)		(3,431,107)	(3,431,107)
Profit / (loss) before income tax		**(12,872,152)**	**(12,872,152)**		**(6,989,218)**	**(6,989,218)**

Statement of Financial Position

	2023	2023	2022	2022
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
	$	$	$	$
GSH No.1 Ltd	31,375,372	51,103,778	44,670,816	49,796,232
GSH No.3 Ltd	522,284	234,360	-	-
Corporate	251,892	414,439	369,568	571,496
Group	**32,149,548**	**51,752,577**	**45,040,384**	**50,367,728**

9. OTHER EXPENSES

	2023	2022
	$	$
Other expenses include:		
Advertising and marketing costs	1,092,719	786,197
Computer & POS - Subscriptions	220,371	164,400
Entertainment	189,876	119,552
Insurance	195,228	191,778
Professional and other advisory costs	435,916	324,780
Property expenses	2,310,721	1,767,867
Repairs and maintenance	506,642	244,560
Travel expenses	82,787	74,889
Other	1,513,329	1,074,722
	6,547,589	**4,748,745**

	2023	2022
Remuneration to auditors:	$	$
Audit Services – UHY Haines Norton		
Audit of the financial statements	176,000	-
Fees paid to previous auditors - BDO		
Audit of financial statements	-	115,000
Tax compliance services	27,300	25,000
	203,300	**140,000**

10. TAX EXPENSE

	Notes	2023	2022
		$	$
The income tax expense consists of the following:			
Loss before income tax from continuing operations		(12,872,152)	(6,989,218)
Income tax calculated at 28% (2022: 28%)		(3,604,203)	(1,956,981)
Non-deductible expenses		3,370,693	1,149,180
Tax in respect of prior years		27,640	(2,753)
Current year tax losses not recognised/(utilised)		284,559	942,111
Prior year tax losses not recognised		234,840	-
Non-recognition of deferred tax on leases		732,754	-
Benefit of timing differences no longer recoverable		357,250	-
Non-assessable income		-	(519,136)
Tax expense / (benefit)		**1,403,533**	**(387,579)**
Current tax expense	11	273	(3,768)
Deferred tax expense / (benefit)		1,403,260	(383,811)
		1,403,533	**(387,579)**

11. TAX BALANCES

	Notes	2023	2022
		$	$
Income tax payable / (receivable)			
Opening balance		(8,998)	(3,769)
Tax expense		273	-
Tax in respect of prior years		-	(3,767)
Cash tax (paid)		7,346	(1,462)
Balance at 30 June		**(1,379)**	**(8,998)**
Deferred tax asset			
Opening balance		1,403,260	1,019,449
Tax benefit / (expense)	10	(783,803)	384,825
Tax in respect of prior years	10	(27,367)	(1,014)
Benefit of timing differences no longer recoverable	10	(357,250)	-
Prior year tax losses not recognised Balance at 30 J une	10	(234,840)	-
Balance at 30 June		**-**	**1,403,260**
The deferred tax asset consists of:			
Accrual for annual leave		-	236,726
Leases		-	635,265
Tax losses		-	234,840
Property, plant and equipment		-	130,092
Other provisions		-	166,337
		-	**1,403,260**

12. TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables approximates their carrying value.

	2023	2022
	$	$
Trade receivables	316,859	221,495
	316,859	**221,495**

Included in Trade receivables is un-cleared cash from eftpos receipts of $181,517 (2022: $101,621).

13. PREPAYMENTS

	Notes	2023	2022
		$	$
Prepayments		238,068	302,345
Transferred to assets in disposal groups held for sale	32	(138,032)	-
		100,036	**302,345**

14. INVENTORIES

	Note	2023	2022
		$	$
Food		119,474	110,207
Beverages		289,099	399,272
Transferred to assets in disposal groups held for sale	32	(408,573)	-
		-	**509,479**

15. LEASES

	Note			2023	2022
		Properties	**Vehicles**	**Total**	**Total**
Right-of-use assets		**$**	**$**	**$**	**$**
Opening balance		11,439,316	929	11,440,245	12,444,350
Additions for the period		302,663	-	302,663	1,677,445
Lease remeasurement				-	220,495
Modification adjustment		660,274	-	660,274	(1,037,239)
Right-of-use assets impairment	15.1	-	-	-	(489,219)
Depreciation		(1,101,396)	(929)	(1,102,325)	(1,375,587)
Transferred to assets in disposal groups held for sale	32	(11,300,857)	-	(11,300,857)	-
Closing balance		**-**	**-**	**-**	**11,440,245**

				2023	2022
		Properties	**Vehicles**	**Total**	**Total**
Lease liabilities		**$**	**$**	**$**	**$**
Opening balance		13,706,102	2,947	13,709,049	14,010,866
Additions for the period		325,494	-	325,494	1,677,445
Lease remeasurement		-	-	-	220,495
Modification adjustment		660,274	-	660,274	(1,363,749)
Rent concession		-	-	-	(235,214)
Interest for the period		1,319,080	595	1,319,675	1,334,631
Lease payments		(2,095,467)	(3,542)	(2,099,009)	(1,935,425)
Transferred to liabilities in disposal groups held for sale	32	(13,915,483)	-	(13,915,483)	-
Closing balance		**-**	**-**	**-**	**13,709,049**

15.1 Impairment of Right-of-Use Assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

During the previous financial year, the Group impaired the remaining right of use asset for DB Newmarket as the recoverable amount was determined to be zero. The amount impaired in the previous financial year was $489,219.

	2023	2022
	$	$
Short-term lease expense	**1,424**	**18,681**

The following table sets out the undiscounted contractual maturity of lease liability:

As at 30 June 2023	Up to 3 months	Between 3 & 12 months	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
	$	$	$	$	$	$
Lease liabilities	579,783	1,735,076	2,316,747	5,908,949	12,409,387	**22,949,942**

The above table includes the following information for a venue which is not part of the sale, however is also held for sale at 30 June 2023.

DB Newmarket	90,982	272,946	363,929	30,327	-	**758,185**

As at 30 June 2022	Up to 3 months	Between 3 & 12 months	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
	$	$	$	$	$	$
Lease liabilities	526,890	1,541,046	2,171,129	5,831,720	13,478,529	**23,549,314**

Nature of leasing activities (in the capacity as lessee)

The Group leases 9 properties in New Zealand. In New Zealand it is customary for lease contracts to provide payments to increase each year by inflation and in others to be reset periodically to market rental rates. The Group also leases motor vehicles. As standard industry practice, the Group's property lease are subject to market rent reviews. A 2.5% increase in these payments would result in an additional $52,850 (2022: $47,873) outflow compared to the current period's cash outflow.

16. PROPERTY, PLANT & EQUIPMENT

	Note	Work In Progress (WIP)	Fixtures, Plant, Office Equipment	Computer Equipment	Lease Improvements	Total
		$	$	$	$	$
Year ended 30 June 2023						
Opening balance net book value		42,834	1,844,117	136,132	4,761,202	**6,784,285**
Additions	8.5	469,800	293,073	1,310	176,017	**940,200**
WIP transferred to relevant class		(415,529)	126,273	-	289,256	**-**
Disposals		-	(53,559)	(27)	(42,724)	**(96,310)**
Depreciation charge		-	(583,030)	(109,925)	(223,064)	**(916,019)**
Fixed assets impairment		-	(12,861)	(2,322)	(9,326)	**(24,509)**
Transferred to assets in disposal groups held for sale		(97,105)	(1,614,013)	(25,168)	(4,951,361)	**(6,687,647)**
Closing net book value		**-**	**-**	**-**	**-**	**-**
At 30 June 2023						
Cost		97,105	4,147,228	344,142	7,290,481	11,878,956
Accumulated depreciation & impairment			(2,533,215)	(318,974)	(2,339,119)	(5,191,309)
Transferred to assets in disposal groups held for sale	32	(97,105)	(1,614,013)	(25,168)	(4,951,361)	(6,687,647)
Net book value		**-**	**-**	**-**	**-**	**-**
Year ended 30 June 2022						
Opening balance net book value		90,534	1,525,677	70,573	3,385,331	**5,072,115**
Additions	8.5	2,235,073	488,897	64,213	6,581	**2,794,764**
WIP transferred to relevant class		(2,282,773)	384,705	-	1,898,068	**-**
Disposals		**-**	(61,935)	29,450	(88,971)	**(121,456)**
Depreciation charge		-	(493,227)	(28,104)	(439,807)	**(961,138)**
Closing net book value		**42,834**	**1,844,117**	**136,132**	**4,761,202**	**6,784,285**
At 30 June 2022						
Cost		42,834	4,081,494	218,580	6,846,614	**11,189,522**
Accumulated depreciation & impairment		-	(2,237,377)	(82,448)	(2,085,412)	**(4,405,237)**
Net book value		**42,834**	**1,844,117**	**136,132**	**4,761,202**	**6,784,285**

17. SUBSIDIARIES

The following subsidiaries operate wholly in New Zealand.

Operating subsidiary	Activity	2023 Interest	2022 Interest
Good Spirits Hospitality No.1 Limited	Hospitality Business	100%	100%
Good Spirits Hospitality No.2 Limited	Non trading	100%	100%
Good Spirits Hospitality No.3 Limited	Hospitality Business	100%	100%

18. TRADE AND OTHER PAYABLES

	Note	2023 $	2022 $
Trade payables		2,324,842	2,521,092
Accrued expenses		296,472	478,761
Transferred to liabilities in disposal groups held for sale	32	(42,902)	-
Closing balance		**2,578,412**	**2,999,853**

19. PROVISION FOR MAKE GOOD OBLIGATIONS

	Note	2023 $	2022 $
Opening balance		600,000	600,000
Charged to earnings for the year		(100,000)	-
Transferred to liabilities in disposal groups held for sale	32	(400,000)	-
Closing balance		**100,000**	**600,000**

20. EMPLOYEE ENTITLEMENTS

	Note	2023 $	2022 $
Accrual for annual leave		719,653	887,829
Accrual for KiwiSaver		3,677	50,566
Transferred to liabilities in disposal groups held for sale	32	(723,330)	-
		-	**938,395**

21. BORROWINGS-SECURED

	Note	2023	2022
Pacific Dawn Limited		**$**	**$**
Bank drawn down	26.3.1	31,749,633	31,749,633
Capitalised interest accumulated		3,844,850	2,232,439
Bank repayments accumulated		(2,500,000)	(2,500,000)
Amount owed to Pacific Dawn before exit fee	25.2	**33,094,483**	**31,482,072**
Exit fee payable		584,993	584,993
Total amount owed to Pacific Dawn		**33,679,477**	**32,067,065**
Loan modification adjustment		(79,484)	(238,452)
Capitalised financing cost against borrowings		(89,750)	(269,249)
Closing balance	26.3	**33,510,243**	**31,559,364**
Other borrowings			
Drawn down	21.2	300,000	-
Chattel support revalued		(27,500)	-
Repayments accumulated		(62,500)	(62,500)
Closing balance	26.3	210,000	-
Total Borrowings		**33,720,243**	**31,559,364**

Exit fee payable – as part of the facility agreement, if the Group decided to repay the outstanding facility before the expiry date this exit fee is payable to Pacific Dawn Limited.

21.1 Bank borrowings

Under the General Security Agreement (GSA) there are a number of circumstances that would give rise to an Event of Default or an Event of Review. There have been no breaches of covenants for the current or prior year under the facility arrangement.

In order to assist in the funding of the transaction costs for that sales process, GSH's lender agreed for all the interest due and payable for the March 2023 quarter and the interest in excess of $250,000 that will be due and payable in respect of the June 2023 quarter to be capitalised to the outstanding loan.

The borrowing in the year had an effective interest rate of 12.0% (2022: 11.1%) which includes amortisation associated with capitalised costs. Bank borrowings at 30 June 2023 mature on 31 December 2023. They are secured by the GSA over all of the assets of the Group.

21.2 Other borrowings

The group had drawn down $300,000 in order to complete the acquisition of The Cellar Bar. $150,000 is chattel support that is amortised at 20% per year while $150,000 is repayable over two years with the remaining balance at 30 June 2023 is $87,500.

21.3 Interest paid

	2023	2022
	$	$
Interest paid on bank loan	3,476,419	2,557,889
Other interest paid	10,929	9,293
	3,487,348	2,567,182
Loan modification and capatalised finance costs amortised	338,467	852,809
	3,825,815	**3,419,991**

22. SHARE CAPITAL AND SHARE CAPITAL RESERVE

22.1 Issued and paid-up capital - ordinary shares

	2023		2022	
	Shares	$	Shares	$
Balance at beginning of the year	57,734,458	35,179,408	57,734,458	35,179,408
Balance at end of year	**57,734,458**	**35,179,408**	**57,734,458**	**35,179,408**

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. They do not have a par value.

23. EARNINGS PER SHARE (EPS)

	2023	2022
	$	$
Profit / (loss) for the year from continuing operations	(14,275,685)	(6,601,639)
Issued Ordinary Shares	57,734,458	57,734,458
Weighted average number of shares	57,734,458	57,734,458
Diluted Ordinary Shares	57,734,458	57,734,458
There are no dilutive instruments on issue.	Cents	Cents
Basic EPS	(24.73)	(11.43)
Diluted EPS	(24.73)	(11.43)

24. DIVIDEND PAID OR AUTHORISED

GSH paid no dividends during the year (2022: nil).

25. RELATED PARTIES

Good Spirits Hospitality Limited is the immediate parent, ultimate parent and controlling party for all companies in the Group. The Group undertook transactions with the following related parties as detailed below:

25.1 Transactions with Key Management

- During the year Mr Tuttle, CEO of GSH, purchased $1,844 of food and beverage from the company.
- During the year an Independent Committee of the Board was established in respect of the proposed sale transaction pursuant to the 30 September 2022 amendment to the Pacific Dawn Limited Facility Agreement. Messrs Seton and Carrington entered into Director Agreements for Services in respect of providing advisory and management services to Group in respect of the Independent Committee. Pursuant to their respective agreements Mr Seton was paid $82,300 and Mr Carrington paid $16,387 during the period. As at reporting date, $2,000 was owing to Mr Carrington.
- During the previous financial year, strategic, financing and investment banking services relating to the Nourish transaction (in addition to director responsibilities) were provided to the Group by Dynamic Corporate Investments, an entity controlled by Matt Adams, a director and current Chairman of GSH. Fees paid by the Group for these services during, and in respect of, the previous financial year totalled $329,640 and with nothing owed or due at 30 June 2023 (2022: $23,508).
- During the previous financial year, strategic, financing and business advisory services (in addition to director responsibilities) were provided to the Group by Duncan Makeig, who was a director and the Chairman of GSH at the time. Fees paid by the Group for these services during, and in respect of, the previous financial year totalled $80,262 and with nothing owed or due at reporting date.
- Brew on Quay Limited (BOQL) - Geoff Tuttle is a joint owner with another party of 4.13% of the shares in GSH and is the CEO of GSH. Geoff Tuttle is a director and shareholder of BOQL, which operates the hospitality businesses Brew on Quay and Charlie Farley's. During the previous period GSH provided kitchen services to these businesses. Amounts received by GSH from BOQL in relation to kitchen services in the period totalled $nil (2022: $4,594).

Broken down by service the amounts are as follows:

Service	2023	2022
	$	$
Kitchen Services	-	4,594

GSH has ceased providing kitchen services to BOQL in August 2021.

25.2 Trading Activities with Related Parties

Pacific Dawn Limited (PDL), a wholly owned subsidiary of Nomura Asia Holding N.V are a major shareholder and lender of GSH. PDL received interest payments of $1,880,660 (2022: $1,195,705). In addition, PDL were due to receive interest payments of $1,612,411 (2022: $1,144,387) during the year, however due to the sale transaction process the interest payments were capitalised against the loan. The outstanding amount owed to PDL before exit fee at reporting date is $33,094,483 (2022: $31,482,072) – see note 21. On 30 September 2022 renewed banking arrangements were agreed between PDL and the Group, extending the expiry date of the facility to 31 December 2023.

25.3 Compensation of Key Management Personnel

The base remuneration of key management during the year was as follows:

	2023	2022
	$	$
Consisting of salaries	569,350	552,464
Bonus payable	65,090	-

The remuneration of key executives is determined by the Remuneration and Nominations Committee having regard to the performance of individuals and market trends.

The remuneration of Directors during the year was as follows:

	2023	2022
	$	$
Directors fees	180,000	219,444

The remuneration of Directors is determined by the Remuneration and Nominations Committee having regard to the performance of individuals and market trends.

26. FINANCIAL INSTRUMENTS

26.1 Capital management

The Group is not subject to any externally imposed capital requirements with the exception of covenants discussed in note 21.1. The Group has agreed that future dividends will only be paid with the approval of the lender.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves and retained earnings) of the Group.

26.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern (refer to note 1.3) in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is shown in the consolidated statement of financial position.

As at 30 June 2023 the Group has negative working capital and negative equity.

26.3 Financial risk management

The Group engages business in New Zealand and in the normal course of business is exposed to a variety of financial risk which includes:

- Market risk,
- Credit risk, and
- Liquidity risk.

The Group recognises the unpredictability of consumer and financial markets and seeks to minimise the potential adverse effects of market movements. The management of these risks is performed in accordance with the risk management and treasury policy approved by the Directors. This policy covers specific areas such as interest rate risk, credit risk and liquidity risk.

The Group hold the following financial instruments:

		Fair value through profit or loss		Amortised cost	
	Note	2023	2022	2023	2022
		$	$	$	$
Financial assets					
Cash and cash equivalents	30	-	-	341,035	832,739
Restricted cash	30	-	-	75,000	416,649
Trade receivables	12	-	-	316,859	221,495
		-	-	**732,894**	**1,470,883**
Financial liabilities					
Bank borrowings	21	-	-	32,925,250	31,559,364
Other borrowings	21	-	-	210,000	-
Trade and other payables (excluding GST and employee entitlements)		-	-	2,578,412	2,998,871
Financial guarantee liability	31	-	3,300	-	-
		-	**3,300**	**35,713,662**	**34,558,235**

Financial instruments not measured at fair value

- Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.
- Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

26.3.1 Market Risk

Interest rate risk – The Group's primary interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the business to cash flow interest rate risk. The Group's risk management and treasury policy allows the potential use of derivative financial instruments to manage interest rate risk. However, for the year ended 30 June 2023 the Group did not enter into any derivative financial instruments (2022: $nil).

As at 30 June 2023 the Group had $31,749,633 (see note 21) drawn on a facility provided by the bank (2022: $31,749,633). If interest rates had moved by + / - 2.5% with all other variables held constant, Group profit after income tax for the year ended 30 June 2023 would have decreased / increased by $802,519 (2022: $787,052).

26.3.2 Credit risk

Exposure to credit risk arises from the potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets. The Group's credit risk arises from the Group's financial assets, which include cash and cash equivalents and trade and other receivables. Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been impacted as a result of one or more events that occurred after the initial recognition of the financial asset.

For banks and financial institutions, only independently rated parties with a minimum long-term rating of A are accepted. The Group has a concentration of credit risk with its cash and cash equivalents, which are held with one bank. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets summarised above.

The Group's risk management and treasury policy also sets the maximum counterparty credit exposure to any individual bank or financial institution.

The quality of financial assets which are neither past due nor impaired are considered collectable.

26.3.3 Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Groups subsequent ability to meet its obligation to repay its financial liabilities as and when they fall due.

The Group maintains sufficient cash and the availability of funding for acquisitions through undrawn facilities as part of its management of liquidity risk.

The Group had access to the following borrowing facilities at the reporting date:

	2023	2022
	$	$
Borrowing facilities of which $31,749,633 drawn, (2022: $31,749,633).	**34,500,000**	**34,500,000**

The following table details the Group's remaining undiscounted contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, including loans repayable on demand. The tables include principal cash flows.

	Carrying value at reporting date	0-3 months	3-12 months	Year 2	Total contractual cash flows
As 30 June 2023	$	$	$	$	$
Interest bearing liabilities	**33,510,243**	-	33,679,477	-	**33,679,477**
Trade and other payables	**2,578,412**	2,578,142	-	-	**2,578,412**
	36,088,655	**2,578,412**	**33,679,477**	**-**	**36,257,889**
As 30 June 2022					
Interest bearing liabilities	**31,559,364**	-	32,067,065	-	**32,067,065**
Trade and other payables	**2,999,853**	2,531,335	-	468,518	**2,999,853**
Financial guarantee liability	**3,300**	3,300	-	-	**3,300**
	34,562,517	**2,534,635**	**32,067,065**	**468,518**	**35,070,218**

26.4 Fair Value Estimation

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly, and (iii) Level 3 measurements are valuations not based on observable market data (unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entity.

Refer to note 32 for details on the fair value (re)measurement of assets and liabilities within disposal groups held for sale.

26.5 Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets and liabilities

Fair values analysed by level in the fair value hierarchy for other financial assets and liabilities not measured at fair value, for which the Group estimates their fair value approximates the carrying amounts, are as follows:

- Level 1 – Cash on hand and cash equivalents held at banks (note 30 and note 32), Borrowings (note 21)
- Level 2 – Restricted cash (note 30 and note 32), trade and other financial receivables (note 12), trade and other payables (note 18 and note 32)
- Level 3 - Financial guarantee liability (note 31)

The fair values in Level 2 and 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount.

26.6 Gaming Machines

Trillian Trust Limited (the Trust) owns certain gaming machines and possesses a licence to operate gaming machines under the Gambling Act 2003. Good Spirits Hospitality allows the Trust to place its gaming machines and associated equipment at venues and performs certain administration and management services in connection with the operation of those gaming machines. In addition, GSH has separate trust bank accounts and manages the flow of funds in relation to the Gaming Act 2003 which is administered by The Department of Internal Affairs.

As at reporting date, $98,322 is held in GSH's bank accounts which are not included in these financial statements. The total amount owing to the Trust is $98,322 (2022: $71,615).

27. COMMITMENTS

- The Group has capital commitments of $nil as at 30 June 2023 (2022: $nil).
- The Group has other commitments of $nil as at 30 June 2023 (2022: $nil).

28. CONTINGENT LIABILITIES

The Group has a contingent liability of $267,289 as at 30 June 2023. This liability relates to a success fee that would be payable upon settlement completion, refer to note 33.1. The gross payment payable is $479,289 less retainer fees of $212,000. (2022: $nil).

29. NOTES SUPPORTING STATEMENTS OF CASH FLOWS

29.1 Reconciliation to operating activities in the cashflow

	Notes	2023	2022
		$	$
Loss for the year		**(14,275,685)**	**(6,601,639)**
Adjusted for:			
Depreciation and amortisation		916,019	961,138
Depreciation of right-of-use assets		1,102,325	1,375,587
Interest on leases		1,319,675	1,334,631
Financial guarantee liability			(131,038)
Exit fee movement		-	38,556
Goodwill impairment		10,872,575	621,899
Disposal of property, plant and equipment		96,310	121,456
Rent concessions		-	(235,214)
Gain on lease modifications		-	(326,510)
Non-cash interest charges		1,950,879	1,144,387
Loan modification adjustment		-	1,015,403
Property, plant & equipment impairment		24,509	-
Right-of-use assets impairment		-	489,219
Deferred tax		1,433,711	(387,579)
Non cash income		(27,500)	-
Changes in assets and liabilities			
Decrease / (increase) in receivables and prepayments		448,594	(18,115)
Decrease / (increase) in assets held for sale (note32)	29.2	619,627	-
Decrease / (increase) in inventories		519,142	(54,412)
Increase / (decrease) in trade payables, accruals, make good provision and employee entitlements		(2,148,696)	1,273,722
Net cash inflows from operating activities		**2,851,484**	**621,491**

29.2 Reconciliation of decrease / (increase) in assets held for sale

The table below details the individual assets and liabilities included within decrease / (increase) in assets held for sale in 29.1.

	Note	2023	2022
		$	$
Make good liability		400,000	-
Gift vouchers		42,902	-
Employee entitlements		723,330	-
Prepayments		(138,032)	-
Inventory		(408,573)	-
	29.1	**619,627**	**-**

29.3 Reconciliation to financing activities in the cashflow:

	Current loan	Non-current Loans	Lease liability (note 15)	Contractual cash flows
	$	$	$	$
As at 30 June 2021	-	26,861,018	14,010,866	40,871,884
Cash Flow				
Bank draw down	-	2,500,000	-	2,500,000
Principal paid on leases	-	-	(600,794)	(600,794)
Non-cashflows				
Non current portion reclassified as current	31,559,364	(31,559,364)	-	-
Interest paid on leases	-	-	(1,334,631)	(1,334,631)
Amortisation of gain on loan modification	-	314,310	-	314,310
Capitalised interest	-	1,144,387	-	1,144,387
Movement in exit fees	-	38,556	-	38,556
Rent concession	-	-	(235,214)	(235,214)
Interest expense	-	701,093	-	701,093
Lease adjustments	-	-	1,868,822	1,868,822
As at 30 June 2022	31,559,364	-	13,709,049	45,268,413
Cash Flow				
Loan draw down	300,000	-	-	300,000
Principal paid on loan	(62,500)	-	-	(62,500)
Principal paid on leases	-	-	(779,334)	(779,334)
Non-cashflows				
Interest paid on leases	-	-	(1,319,675)	(1,319,675)
Amortisation of gain on loan modification	158,968	-	-	158,968
Capitalised interest	1,612,411	-	-	1,612,411
Amortisation of financing cost against borrowings	179,499	-	-	179,499
Chattel support revalued	(27,500)	-	-	(27,500)
Lease adjustments	-	-	2,305,443	2,305,443
As at 30 June 2023	**33,720,243**	**-**	**13,915,483**	**47,635,726**

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (for purposes of the statement of cash flows comprises:)	2023	2022
	$	$
Cash and cash equivalents		
Cash at bank	341,035	743,919
Cash on hand	52,420	88,820
Cash and cash equivalents within disposal groups held for sale	(52,420)	-
	341,035	**832,739**
Restricted cash		
Bank term deposit	75,000	76,154
Gaming floats	158,000	150,400
Landlord bonds	179,633	190,095
Restricted cash within disposal groups held for sale	(337,633)	-
	75,000	**416,649**

31. FINANCIAL GUARANTEE LIABILITY

The Group sold the Lynfield venue on 15 May 2019 and under the terms of this sale the Group provided a guarantee which meant it would be liable for the rent and outgoings if the tenant could not pay the rent. The tenant ran into financial difficulty and demand was made in April 2021, thus resulting in a financial guarantee liability for the Group.

In the previous reporting period, the Group recorded the remaining financial guarantee liability of $3,300 it had on the Lynfield venue. GSH completed the final payment of $3,300 during the year and has no further obligations.

32. DISPOSAL GROUPS HELD FOR SALE

As detailed in note 1.3 the Group has been through a process to assess and sell its assets.

As at 30 June 2023, this represented the business and assets of nine operating venues, representing the separately listed cash-generating units detailed in note 5 (Danny Doolan's, The Cav, Botany Commons, Doolan Brothers Ellerslie, Citizen Park, Union Post, C&B Hamilton, DB Newmarket and The Cellar Bar).

The table below details the individual assets and liabilities included with the disposal groups held for sale, including:

- The initial net book values transferred into the disposal group,
- Any subsequent fair value adjustments, and/or other movements, between the date of transfer and reporting date.

	Note	Net book value transferred to disposal group	Fair value loss	Other subsequent movements	30-Jun-23
Assets in disposal groups held for sale:		**$**	**$**	**$**	**$**
Cash and cash equivalents		52,420	-	-	52,420
Restricted cash		337,633	-	-	337,633
Prepayments		138,032	-	-	138,032
Inventories		408,573	-	-	408,573
Property, plant and equipment	16	6,687,647	-	-	6,687,647
Right-of-use assets	15	11,300,857	-	-	11,300,857
Intangible assets	5	12,390,077	-	-	12,390,077
Total assets in disposal groups held for sale		**31,315,239**	**-**	**-**	**31,315,239**
Liabilities in disposal groups held for sale:					
Trade and other payables		42,902	-	-	42,902
Employee Entitlements	20	723,330	-	-	723,330
Lease liabilities	15	13,915,483	-	-	13,915,483
Provisions for make-good obligations		400,000	-	-	400,000
Total liabilities in disposal groups held for sale		**15,081,715**	**-**	**-**	**15,081,715**
Total net assets in disposal groups held for sale		**16,233,524**	**-**	**-**	**16,233,524**

33. EVENTS AFTER REPORTING DATE

33.1 Sale of business

On the 2nd August 2023, after a lengthy competitive sales process run by a committee of the independent directors of GSH and Tonnant Partners (transaction advisor), GSH announced that it and its wholly owned subsidiaries, Good Spirits Hospitality No.1 Limited and Good Spirits Hospitality No.3 Limited have entered into a conditional agreement to sell the business and assets of eight operating venues to Brew on Quay Limited (BOQL) for $20,701,400 plus GST (if any). GSH is currently working through the remaining conditions (e.g. temporary licences and landlord consents etc) and expects the completion of the sale to occur in the fourth quarter of 2023.

The committee of the independent directors of GSH and Tonnant Partners identified the Transaction with BOQL as offering the best outcome for all GSH stakeholders. The negotiation of the Transaction was conducted at arm's length, with both GSH and BOQL acting in their own interests.

Shareholder and Statutory Information

shareholder and statutory information

Management commentary
(no financial statements)

QUOTATION OF SHARES

The Company's shares are listed and quoted on the NZX Main Board operated by NZX Limited under the ticker code "GSH".

CHANGES TO NATURE OF BUSINESS

At the beginning of the accounting period, GSH's mandate was that of an investment company focusing on the hospitality sector.

SIZE OF SHAREHOLDING AS AT 25 AUGUST 2023

Spread of shareholding	Number of shareholders	Number of ordinary shares	% of total ordinary shares on issue
1 – 1,000	169	60,829	0.11
1,001 – 5,000	143	441,278	0.76
5,001 – 10,000	68	545,298	0.94
10,001 – 50,000	86	2,135,729	3.7
50,001 – 100,000	29	2,149,927	3.72
100,001 plus	47	52,401,397	90.76
Total		**57,734,458**	**100.00**

SUBSTANTIAL PRODUCT HOLDERS

The following shareholders have filed notices with the Company that they are Substantial Product Holders in the Company as at 30 June 2023 (there being a total of 57,734,458 shares on issue at that date).

Substantial Product Holder	Number of ordinary shares	% of shares
Pacific Dawn Limited^	14,427,840	24.99
Christie Whiting Vermunt Limited	8,070,226	13.98
Collins Asset Management Limited	6,166,684	10.68
Robert Gerald Hampden Christie	4,545,455	7.87

^ Holder of a relevant interest in financial products held by New Zealand Central Securities Depository Limited for Citibank Nominees (New Zealand) Limited as nominee for Pacific Dawn Limited.

DIRECTORS' SHARE HOLDINGS AS AT 30 JUNE 2023

Name	Beneficial Shareholding (number of ordinary shares)	Non-Beneficial Shareholding (number of ordinary shares)
Matt Adams	-	-
Carl Carrington	-	-
John Seton	-	-

Management commentary
(no financial statements)

TOP 20 SHAREHOLDERS

The following table shows the names and holdings of the top 20 shareholders of the Company as at 25 August 2023.

	Shareholder	Shares held	% of Total
1	New Zealand Central Securities Depository Limited	14,812,793	25.66
2	Christie Whiting Vermunt Limited	8,070,226	13.98
3	Collins Asset Management Limited	6,166,684	10.68
4	New Zealand Depository Nominee	5,570,152	9.65
5	Robert Gerald Hampden Christie	4,545,455	7.87
6	Geoffrey Eamon Tuttle & Carl David Sowter	2,385,714	4.13
7	Rosemary Joan Christie	1,373,636	2.38
8	Ambrosia Trustees Limited	737,349	1.28
9	JBWERE (Nz) Nominees Limited <32198 A/C>	550,000	0.95
10	Michael John Cooper	440,000	0.76
11	Leonard Geoffrey Parker	400,000	0.69
12	Awatea Investments Limited	400,000	0.69
13	Rahul Krishan Lal	394,868	0.68
14	Custodial Services Limited	383,751	0.66
15	JBWERE (Nz) Nominees Limited <NZ Resident A/C>	335,000	0.58
16	Laphroaig Trustee Company (Nz) Limited	334,739	0.58
17	KEN & Arlene Eaves Trustee Company Limited	329,079	0.57
18	Keith Norman Goodall & Pamela Joan Goodall & Trusts Limited	300,000	0.52
19	Richard George Anthony Kroon	272,629	0.47
20	Raghbir Singh	269,191	0.47

^ The registered holder is New Zealand Central Securities Depository Limited. Citibank Nominees (New Zealand) Limited is nominee for Pacific Dawn Limited.

NZX WAIVERS AND EXERCISE OF POWERS

During the reporting period ended 30 June 2023, the company applied for and was granted waivers from Listing Rule 5.2.1 following a applications by the Company. The waivers granted 30 September 2022 and 21 June 2023 are both in respect of variations to the finance facility with Pacific Dawn Limited.

A copy of the waivers may be viewed at www.goodspiritshospitality.co.nz.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

DIRECTORS OF THE GROUP AS AT 30 JUNE 2023

The Directors of the Group as at 30 June 2023 were:

Group Company	Directors as at 30 June 2023
Good Spirits Hospitality Limited	• Matt Adams • Carl Carrington • John Seton
Good Spirits Hospitality No. 1 Limited	• Matt Adams • Carl Carrington
Good Spirits Hospitality No. 2 Limited	• Matt Adams • Carl Carrington
Good Spirits Hospitality No. 3 Limited	• Matt Adams • Carl Carrington

DIRECTORS' REMUNERATION AND OTHER BENEFITS

The table below sets out the total remuneration received by each Director and former Director from the Group for the accounting period ended 30 June 2023. See also note 25 to the Financial Statements for details of other benefits received by the Directors from the Company during that period.

	2023				2022
Name	Directors' Fees	Chairman's Fees	Committee Chair Fees	Total Directors' Fees	Total Directors' Fees
Matt Adams	$40,000	$30,000	$10,000	$80,000	$50,000
Carl Carrington	$40,000	-	$10,000	$50,000	$50,000
Andrew Christie[1]	-	-	-	-	$6,667
Duncan Makeig[2]	-	-	-	-	$80,000
John Seton[3]	$47,500	-	$10,000	$57,500	$32,778

[1]Mr Christie resigned as a Director on 3 September 2021.

[2]Mr Makeig resigned as a Director on 28 June 2022.

[3]Mr Seton was appointed Director on 6 September 2021.

Management commentary
(no financial statements)

The Directors' fees are set as follows:

- each Director (other than the Chair) is paid $40,000 per annum.
- the Chair is paid $70,000 per annum.
- additional amounts are paid to committee members.

The Audit and Risk Management Committee Chair receives $10,000 per annum. The Investment Committee Chair receives $10,000 per annum. The Remuneration and Nominations Committee Chair receives $10,000 per annum. Directors do not receive additional remuneration for committee membership other than in their capacity as Committee Chair.

In the 2023 financial year, Mr Seton received $7,500 for director services in respect of the previous year.

INDEMNITY AND INSURANCE

GSH has insured and indemnified all of its Directors and Officers against liabilities and costs referred to in sections 162(3), 162(4) and 162(5) of the Companies Act 1993. The insurance and indemnities do not cover liabilities arising from criminal activities.

CHIEF EXECUTIVE OFFICER'S REMUNERATION

Remuneration paid in the financial year to the Chief Executive Officer was:

Remuneration	2023	2022
Base salary	$338,000	$350,000
Short-term incentive (bonus)[1]	N/A	N/A
Long term incentive	N/A	N/A
Total remuneration	$338,000	$350,000

See the commentary under the heading "Short-Term Incentive" on page 17 of the "Corporate Governance Statement" section of the Annual Report for further information regarding short term incentives.

[1] Bonus payable at 30 June 2023 is $39,620

Management commentary
(no financial statements)

EMPLOYEES' REMUNERATION

During the accounting period ended 30 June 2023, the number of employees, not being a Director of a member of the Group, who received remuneration and other benefits the value of which exceeded $100,000 was as follows:

	2023		2022	
Range $	**No of Employees**	**No of former Employees**	**No of Employees**	**No of former Employees**
100,000 - 109,999	2	-	1	-
110,000 - 119,999	-	-	1	-
120,000 - 129,999	1	-	1	-
130,000 - 139,999	1	-	-	-
140,000 - 149,999	-	-	1	-
150,000 - 159,999	1	-	-	-
170,000 - 179,999	1	-	-	-
200,000 - 209,999	-	-	1	-
230,000 - 239,999	1	-	-	-
330,000 - 339,999	1	-	-	-
350,000 - 359,999	-	-	1	-
Total	8	-	6	-

AUDIT FEES

The amounts paid to UHY Haines Norton as auditor of the Group and, as a separate item, for other services provided to the Group during the accounting period ended 30 June 2023 are set out in note 9 to the financial statements.

DONATIONS

No donations have been made by the Group for the accounting period ended 30 June 2023.

DISCLOSURE OF INTERESTS

Entries in the Interests Register made during the accounting period ended 30 June 2023 and disclosed pursuant to sections 211(e), 140(1) and 148(2)(b) of the Companies Act 1993 are as follows:

Mr Adams advised the company on 21 December 2022 that he is part of a consortium who have since placed a binding bid to purchase nine venues of the Group in respect of the proposed sale transaction pursuant to the 30 September 2022 amendment to the Facility Agreement.

Management commentary
(no financial statements)

Group	Entity	Position
Matt Adams	Ceramic Fuel Cells Limited	Director, Company Secretary
	Dynamic Corporate Investments Pty Ltd	Director, Shareholder
	Investco 22 Pty Ltd	Director, Shareholder
	Jimojo Pty Ltd	Director
	K&M Superannuation Pty Ltd	Director, Shareholder
	Schrole Group Ltd	Director
	Seascape (2010) Limited trading as FundTap	Advisory Board Member
	Tomizone Australia Pty Ltd	Director
	Tomizone Limited	Director

Group	Entity	Position
Carl Carrington	Cawthron Institute	Director
	Hop Revolution Limited and subsidiaries	Director
	Maungawai Family Trust	Trustee / Beneficiary
	Minaret Investments Limited	Director / Shareholder
	New Zealand Trade and Enterprise	Director
	Peninsular Trust	Trustee
	PurePac Limited	Chairman
	Reefton Distilling Co	Director / Beneficial Shareholder
	Unique Manuka Factor Honey Association	Director / Independent Commissioner
	Unique Manuka Factor Honey Association	Director / Independent Commissioner

Group	Entity	Position
John Seton	Afro Mining Pty Ltd	Director
	Bau Mining Limited	Director
	Besra Gold Inc	Director
	Besra Labuan Limited	Director
	Blue Barn Consulting Limited	Director
	Continental Lithium Limited	Director
	Cornwall Funding Limited	Director
	Falcon Ridge Trustees Limited	Director
	Fort Street Admin Ltd (formerly Besra NZ Limited)	Director
	Gilt Brasserie Limited	Director
	Green Energy Metals Limited	Director
	Incor Energy Materials Limited	Director

Management commentary
(no financial statements)

Group	Entity	Position
John Seton (Cont.)	Josh Emett Limited	Director
	Jura Trust Limited	Director
	Kariki Pharma Limited	Director
	Manhattan Corporation Limited	Director
	Manhattan Resources Pty Limited	Director
	Manuka Resources Limited	Director
	North Borneo Gold Sdn Bhd	Director
	North Piha Water Supply Society Limited (incorporated under the Industrial & Provident Societies Act 1908)	Director
	Onslow Restaurant Limited	Director
	Penberthy Holdings Limited	Director
	Penberthy Insurance Limited	Director
	Ratab Limited	Director
	Te Mata Mushroom Holdings Limited	Director
	Te Mata Mushroom Land Company Limited	Director
	Te Mata Mushrooms Brookvale Road Limited	Director
	The Te Mata Mushroom Company Limited	Director
	Tomizone Holdings Limited	Director
	Tomizone Limited	Director
	Tomizone New Zealand Limited	Director
	Trans-Tasman Resources Limited	Director
	TTR Marine Limited	Director
	White Charger Limited	Director

Directors and Officers Insurance

Each Director of the Company has a Deed of Indemnity in place under which the Company indemnifies and effects insurance, in accordance with section 160 of the Companies Act 1993, in respect of certain liabilities and obligations incurred by them in their capacity as a director of the Company and its subsidiaries.

Share Dealings

Directors had no dealings in the shares of the company during the reporting period.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Corporate Directory

Nature of Business
Listed Investment Company

Directors
Matt Adams (Independent)
John Seton (Independent)
Carl Carrington (Independent)

Chief Executive Officer
Geoff Tuttle

Chief Financial Officer
Anthony Laus

Registered Office
The Cav
68 College Hill Freemans Bay
Auckland 1011

Share Registrar
Level 30, PwC Tower
15 Customs Street West
Auckland 1010

Auditors
UHY Haines Norton
1 York St, Sydney
NSW 2000
Australia

Solicitors
Buddle Findlay
188 Quay Street
Auckland 1140

Investor Enquiries
Corporate@gsh.co.nz

Bankers
Pacific Dawn Limited
Bank of New Zealand

Website
www.goodspiritshospitality.co.nz

Good People, Good Times, Good Spirits.

Management commentary
(no financial statements)

GOOD SPIRITS

ESTD 2000

HOSPITALITY

Management commentary
(no financial statements)