

Good Spirits Hospitality Limited



Interim Financial Statements for the six months ended
31 December 2022

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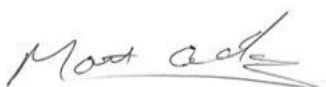
Directors Approval of Consolidated Financial Statements for the six months ended 31 December 2022.

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 27 February 2023.

Approval by Directors

The Directors are pleased to present the Consolidated Financial Statements for Good Spirits Hospitality Limited for the six months ended 31 December 2022.



Matt Adams
Chairman



John Seton
Chair Audit & Risk Committee

27 February 2023.

For and on behalf of the Board of Directors

		6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
	Note	\$	\$	\$
Revenue	4	16,007,848	6,199,058	17,693,106
Government grants		12,713	1,733,545	1,854,055
Other income – services provided		-	4,594	5,284
Interest income		3,543	1,240	3,240
Changes in inventories of finished goods		(3,458,057)	(1,074,459)	(4,067,022)
Employee benefits expense (Wage & salaries)		(4,692,760)	(3,877,188)	(8,396,353)
Employee benefits expense (Kiwi saver contributions)		(91,589)	(63,699)	(144,193)
Depreciation expense		(462,531)	(421,675)	(961,138)
Depreciation of right-of-use assets		(484,390)	(679,793)	(1,375,587)
Interest expense – financial liabilities at amortised cost		(1,788,185)	(1,383,845)	(3,419,991)
Bank Fees		(12,334)	(6,267)	(14,356)
Interest on leases		(578,585)	(628,744)	(1,334,631)
Other expenses		(3,727,913)	(2,186,667)	(4,748,745)
Unusual items:				
Advisory costs		(424,369)	(122,381)	(122,381)
Due diligence		-	(1,164,819)	(1,504,176)
Rent concessions		-	-	235,214
Gain on lease modifications		-	-	326,510
Financial guarantee liability gain / (expense)		-	20,773	93,064
Right-of-use assets impairment		-	-	(489,219)
Goodwill impairment		(310,950)	-	(621,899)
Operating loss before income tax		(7,559)	(3,650,327)	(6,989,218)
Income tax (expense) / benefit		(140,561)	700,338	387,579
Loss for the year attributable to owners		(148,120)	(2,949,989)	(6,601,639)
Total comprehensive losses for the year attributable to		(148,120)	(2,949,989)	(6,601,639)
		6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
Earnings per share / losses from operations attributable to equity holders of the Parent Company during the period:	Note	\$	\$	\$
		cents	cents	cents
Basic EPS from operations		(0.26)	(5.19)	(11.43)
Diluted EPS from profit / (loss) for the period		(0.26)	(5.19)	(11.43)

		As at 31-Dec-22 UNAUDITED	As at 31-Dec-21 UNAUDITED	As at 30-Jun-22 AUDITED
	Note	\$	\$	\$
ASSETS				
Cash and cash equivalents	3	1,120,117	1,501,891	832,739
Restricted cash	3	417,049	416,649	416,649
Trade and other receivables		722,619	124,289	221,495
Prepayments		172,700	166,380	302,345
Inventories		394,874	470,392	509,479
Current tax asset		9,714	4,012	8,998
		2,837,073	2,683,613	2,291,705
Assets held for sale		6,768,029	-	-
Total current assets		9,605,102	2,683,613	2,291,705
Property, plant and equipment		104,351	7,233,145	6,784,285
Right-of-use assets		11,370,333	13,580,995	11,440,245
Deferred tax asset		1,262,225	1,719,896	1,403,260
Intangible assets		22,951,702	23,742,788	23,120,889
Total non-current assets		35,688,611	46,276,824	42,748,679
TOTAL ASSETS		45,293,713	48,960,437	45,040,384
LIABILITIES				
Trade and other payables		2,418,256	2,883,188	2,531,335
Employee Entitlements		301,456	376,414	436,825
GST Payable		676,671	199,139	315,470
Lease liabilities		1,023,380	734,574	821,451
Financial guarantee liability		-	70,586	3,300
Provisions for make-good obligations		-	-	100,000
Borrowings		31,803,598	-	31,559,364
Total current liabilities		36,223,361	4,263,901	35,767,745
Provisions for make-good obligations		500,000	600,000	500,000
Trade and other payables - non-current		363,400	275,614	468,518
Employee entitlements		510,251	455,126	501,570
GST Payable - non-current		65,034	178,664	242,297
Lease liabilities		12,907,131	14,630,406	12,887,598
Financial guarantee liability		-	19,789	-
Borrowings - non-current		200,000	30,212,631	-
Total non-current liabilities		14,545,816	46,372,230	14,599,983
TOTAL LIABILITIES		50,769,177	50,636,131	50,367,728
NET ASSETS		(5,475,464)	(1,675,693)	(5,327,344)
EQUITY				
Share Capital		35,179,408	35,179,408	35,179,408
Accumulated Losses		(40,654,872)	(36,855,102)	(40,506,752)
TOTAL EQUITY		(5,475,464)	(1,675,694)	(5,327,344)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

	Note	Share Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2022		35,179,408	(40,506,752)	(5,327,344)
Profit for the period		-	(148,120)	(148,120)
Total comprehensive income for the period		-	(148,120)	(148,120)
Balance at 31 December 2022 - Unaudited		35,179,408	(40,654,872)	(5,475,464)
Balance at 1 July 2021		35,179,408	(33,905,113)	1,274,295
Profit for the period		-	(2,949,989)	(2,949,989)
Total comprehensive income for the period		-	(2,949,989)	(2,949,989)
Balance at 31 December 2021 - Unaudited		35,179,408	(36,855,102)	(1,675,694)
Balance at 1 July 2021		35,179,408	(33,905,113)	1,274,295
Profit for the period		-	(6,601,639)	(6,601,639)
Total comprehensive income for the period		-	(6,601,639)	(6,601,639)
Balance at 30 June 2022 - Audited		35,179,408	(40,506,752)	(5,327,344)

		6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
	Note	\$	\$	\$
Receipts from customers		15,506,324	6,178,770	17,718,512
Government grants		12,713	1,733,545	1,854,055
Other Income		-	4,594	5,284
Interest received		3,543	1,240	3,240
Payments to suppliers and employees		(11,901,729)	(6,762,088)	(16,097,042)
Interest expenses		(1,618,951)	(527,552)	(1,221,645)
Bank fees		(12,334)	(6,267)	(14,356)
Cash flows from operations prior to unusual items		1,989,566	622,242	2,248,048
Cash outflows from advisory costs		(424,369)	(122,381)	(122,381)
Cash outflows from due diligence		-	(741,262)	(1,504,176)
Financial guarantee liability		-	(21,729)	-
Net cash inflows from operating activities	8	1,565,197	(263,130)	621,491
Purchase of business assets	6	(141,763)	-	-
Purchase of property, plant and equipment		(639,455)	(2,582,705)	(2,794,764)
Net cash outflows from investing activities		(781,218)	(2,582,705)	(2,794,764)
Cash outflows from refinancing costs		-	-	-
Interest paid on lease liabilities		(578,585)	(628,744)	(1,334,631)
Principal paid on lease liabilities		(193,016)	(102,367)	(600,794)
Non bank borrowings draw down		300,000	-	-
Repayment of non bank borrowings		(25,000)	-	-
Bank borrowings drawn down		-	2,500,000	2,500,000
Net cash inflows / (outflows) from financing activities		(496,601)	1,768,889	564,575
Net (decrease) / increase in cash and cash equivalents		287,378	(1,076,946)	(1,608,698)
Cash and cash equivalents at beginning of the year		832,739	2,578,837	2,441,437
Cash and cash equivalents at end of the year	3	1,120,117	1,501,891	832,739

1. GENERAL INFORMATION

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

Entities reporting

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

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

Statutory base & Reporting Framework

The Group is registered in New Zealand under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013 under which the interim financial statements are prepared. The Company is a for-profit entity. The condensed consolidated interim 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 comply with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2022 annual report.

Good Spirits Hospitality is domiciled and incorporated in New Zealand. Its registered office is at Ground Floor, Building B, Ascot Business Park, 95 Ascot Avenue, Greenlane, Auckland 1051.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The treatment of the accounting policies and method of computation applied are consistent with those of the annual financial statements for the year ended 30 June 2022, as described in the annual financial statements.

Key estimates and judgements

The preparation of interim financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies. These interim financial statements are prepared using the same significant judgements and estimates as were used in the preparation of the 30 June 2022 annual financial statements.

Going concern

In preparing the financial statements, the Directors have assessed the Group's ability to continue as a going concern. In determining this assessment, GSH's current forecast scenarios indicate that it continues to have access to a sufficient level of liquidity to sustain the business and remain compliant with its financial obligations. These forecast scenarios are closely monitored and continuously updated as actual performance information becomes available.

The directors are also cognisant that there is a proposed sale of GSH's operating venues and that the term loan is due to expire on 31 December 2023. In the event the assets do not sell, GSH assumes (based on prior actions by GSH's lender) that its lender and GSH's largest shareholder will continue to support the business until a new strategy is agreed.

The Directors have therefore concluded that there are no material uncertainties related to the Group being a going concern and accordingly, these interim financial statements are prepared on a going concern basis.

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.

Significant items

Transactions are classified as significant items when they meet certain criteria approved by the Group's Audit and Risk Committee. Significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as significant items include due diligence 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 significant impact on reported profit.

3. CASH AND CASH EQUIVALENTS

	6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
Cash and Cash Equivalents	\$	\$	\$
Cash at Bank	1,029,497	1,396,260	743,919
Cash on Hand	90,620	105,631	88,820
	1,120,117	1,501,891	832,739
Restricted Cash			
Bank term deposit	76,154	76,154	76,154
Gaming floats	150,800	150,400	150,400
Landlord bonds	190,095	190,095	190,095
	417,049	416,649	416,649

4. REVENUE

Revenue of bars owned on a like for like basis:

	6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
	\$	\$	\$
Auckland	14,649,469	5,103,019	15,916,657
Hamilton	1,358,379	1,096,039	1,776,449
	16,007,848	6,199,058	17,693,106

Government grants

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. Government grants are wage subsidies and business support payments received from the New Zealand Government in relation to the COVID-19.

	6 months to 31-Dec-22 UNAUDITED	6 months to 31-Dec-21 UNAUDITED	12 months to 30-Jun-22 AUDITED
Revenue recognised by the Company include:	\$	\$	\$
COVID-19 employee wage subsidy	12,713	1,563,110	1,641,881
IRD resurgence support payment	-	170,435	212,174
	12,713	1,733,545	1,854,055

5. BUSINESS ACQUISITIONS & DISPOSALS

During the reporting period GSH purchased The Cellar Bar which is located next to GSH's iconic Danny Doolan's bar in Auckland Viaduct. The purchase price was for \$250k plus stock.

In December 2022 the board announced its intention to pursue a sale of the assets of GSH which comprises nine operating venues (noting DB Newmarket is excluded from the process as it remains closed). The Assets have been classified as held for sale in the consolidated statement of financial position.

6. PROPERTY, PLANT & EQUIPMENT

Additions

During the six months ended 31 December 2022, the Group purchased the Cellar Bar (see note 5) and refurbished the site for \$142k.

7. INTANGIBLE ASSETS

The Group performed its annual impairment testing of goodwill at 30 June 2022. Management has reconsidered the assumptions and reviewed the appropriate forecasts for any impairment, and in light of the results for the six months are satisfied that there is no indication of an impairment that would require a more comprehensive impairment assessment at this time.

The goodwill impairment of \$310k recorded at reporting date relates to the remaining goodwill at 30 June 2022 for the O'Hagan's venue.

8. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation to operating activities in the cashflow:

	6 months to	6 months to	12 months to
	31-Dec-22	31-Dec-21	30-Jun-22
	UNAUDITED	UNAUDITED	AUDITED
Note	\$	\$	\$
Loss for the year	(148,120)	(2,949,989)	(6,601,639)
<i>Adjusted for:</i>			
Depreciation and amortisation	462,531	421,675	961,138
Depreciation of right-of-use assets	484,390	679,793	1,375,587
Interest on leases	578,585	628,744	1,334,631
Financial guarantee liability	(3,300)	(42,503)	(131,038)
Exit fee movement	-	-	38,556
Goodwill impairment	310,950	-	621,899
Disposal of property, plant and equipment	88,829	-	121,456
Rent concessions	-	-	(235,214)
Gain on lease modifications	-	-	(326,510)
Non-cash interest charges	169,234	851,614	1,144,387
Loan modification adjustment	-	-	1,015,403
IFRS16 modification adjustment	-	(359,957)	-
Right-of-use assets impairment	-	-	489,219
Deferred tax	140,319	(700,690)	(387,579)
		-	
<i>Changes in assets and liabilities</i>			
Decrease / (increase) in receivables and prepayments	(371,879)	228,056	(18,115)
Decrease / (increase) in inventories	114,605	(15,325)	(54,412)
Increase / (decrease) in trade payables and accruals	(260,947)	995,452	1,273,722
Net cash inflows from operating activities	1,565,197	(263,130)	621,491

9. 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

Good Spirits Hospitality No.1 Limited (GSH)

This segment includes the activities of the Parent Company.

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

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.

Good Spirits Hospitality No.3 Limited (GSH No.3)

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment EBITDA before significant items as included in the management reports that are reviewed by the Board. Segment EBITDA before significant 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.

SEGMENT REPORTING (continued)

	6 months to 31-Dec-2022			6 months to 31-Dec-2021			12 months to 30-Jun-2022		
	UNAUDITED			UNAUDITED			AUDITED		
	Revenue	EBITDA	EBITDA before unusual items	Revenue	EBITDA	EBITDA before unusual items	Revenue	EBITDA	EBITDA before unusual items
	\$	\$	\$	\$	\$	\$	\$	\$	
GSH No.1 Ltd	15,855,197	4,287,564	3,826,913	6,203,652	125,230	137,439	17,698,390	2,778,363	1,299,268
GSH No.3 Ltd	152,651	14,641	14,641	-	-	-	-	-	-
Corporate	-	(987,282)	(562,913)	-	(716,502)	(496,726)	-	(2,665,118)	(1,038,561)
Group	16,007,848	3,314,923	3,278,641	6,203,652	(591,272)	(359,287)	17,698,390	113,245	260,707
Unusual items									
Restructuring and advisory costs	-	-	(424,369)	-	-	(1,287,200)	-	-	(122,381)
Due diligence	-	-	-	-	-	-	-	-	(1,504,176)
Depreciation of right-of-use assets	(484,390)	(484,390)	(484,390)	(679,793)	(679,793)	(679,793)	(1,375,587)	(1,375,587)	(1,375,587)
Interest on leases	(578,585)	(578,585)	(578,585)	(628,744)	(628,744)	(628,744)	(1,334,631)	(1,334,631)	(1,334,631)
IFRS 16 adjustments	-	-	771,601	-	-	1,091,068	-	-	1,935,425
Rent concessions	-	-	-	-	-	-	-	-	235,214
Gain on lease modifications	-	-	-	-	-	-	-	-	326,510
Financial guarantee liability	-	-	-	-	-	(35,853)	-	-	93,064
Right-of-use assets impairment	-	-	-	-	-	-	-	-	(489,219)
Goodwill impairment	-	-	(310,950)	-	-	-	-	-	(621,899)
Depreciation and amortisation	(462,531)	(462,531)	(462,531)	(421,675)	(421,675)	(421,675)	(961,138)	(961,138)	(961,138)
Finance expense (net of income)	(1,796,976)	(1,796,976)	(1,796,976)	(1,328,843)	(1,328,843)	(1,328,843)	(3,431,107)	(3,431,107)	(3,431,107)
Profit / (loss) before income tax		(7,559)	(7,559)		(3,650,327)	(3,650,327)		(6,989,218)	(6,989,218)
Statement of Financial Position		31-Dec-22 Unaudited			31-Dec-22 Unaudited			31-Dec-22 Audited	
		Segment	Segment		Segment	Segment		Segment	Segment
		Assets \$	Liabilities \$		Assets \$	Liabilities \$		Assets \$	Liabilities \$
GSH No.1 Ltd		44,405,148	50,258,382		47,826,857	49,691,405		44,670,816	49,796,232
GSH No.3 Ltd		589,041	167,989		-	-		-	-
Corporate		299,524	342,806		1,133,580	944,726		369,568	571,496
Group		45,293,713	50,769,177		48,960,437	50,636,131		45,040,384	50,367,728

10. COMMITMENTS

The Group has no capital commitments as at 31 December 2022 (30 June 2022 \$nil; 31 December 2021 \$nil).

The Group has no other commitments as at 31 December 2022 (30 June 2022 \$nil; 31 December 2021 \$nil).

11. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2022 (30 June 2022 \$nil; 31 December 2021 \$nil).

12. BUSINESS PROFILE

Nature of Business

Listed Investment Company

Investor Enquiries

corporate@gsh.co.nz

Directors

Matt Adams (Independent)

Carl Carrington (Independent)

John Seton (Independent)

Auditors

BDO Auckland

Chartered Accountants

4 Graham Street, Auckland

PO Box 2219, Auckland 1140

Solicitors

Buddle Findlay

188 Quay Street

Auckland 1140

PO Box 1433, Auckland 1140

Chief Executive Officer

Geoff Tuttle

Chief Financial Officer

Anthony Laus

Share Registrar

Link Market Services Limited

Level 30, PwC Tower

15 Customs Street West

Auckland 1010

Registered Office

Ground Floor, Building B

95 Ascot Avenue

Greenlane

PO Box 17474, Auckland 1546

Bankers

Pacific Dawn Limited

Bank of New Zealand

Website

www.goodspiritshospitality.co.nz