Good Spirits Hospitality Limited

Unaudited Financial Statements

For the year ended 30 June 2022

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Directors Approval of Unaudited Consolidated Financial Statements for the year ended 30 June 2022.

Authorisation for Issue

The Board of Directors authorised the issue of these Unaudited Consolidated Financial Statements on 29 August 2022.

Approval by Directors

The Directors are pleased to present the Unaudited Consolidated Financial Statements for Good Spirits Hospitality Limited for the year ended 30 June 2022.

Matt Adams Chairman	John Seton Chair Audit & Risk Committee

29 August 2022

For and on behalf of the Board of Directors

	Note	Unaudited 2022 $	Audited 2021 $
Revenue	6	17,693,106	23,315,719
Government grants	2.20	1,854,055	942,820
Other income – services provided	23.1	5,284	160,254
Interest income		3,240	3,226
Changes in inventories of finished goods		(4,067,022)	(5,153,464)
Employee benefits expense (Wage & salaries)		(8,396,353)	(8,152,849)
Employee benefits expense (Kiwi saver contributions)		(144,193)	(130,732)
Depreciation expense	14	(961,138)	(824,100)
Depreciation of right-of-use assets	13	(1,375,587)	(1,359,122)
Interest expense – financial liabilities at amortised cost		(3,419,991)	(2,675,983)
Bank Fees		(14,356)	(15,702)
Interest on leases	13	(1,334,631)	(1,232,128)
Other expenses	8	(4,748,745)	(5,269,737)
Unusual items:			
Restructuring and advisory costs		(122,381)	(164,595)
Due diligence		(1,504,176)	(26,009)
Modification of loan	3.8	-	552,762
Rent concessions		235,214	81,761
Gain on lease modifications		326,510	-
Financial guarantee liability gain / (expense)	29	93,064	(241,011)
Right-of-use assets impairment	13.1	(489,219)	(485,197)
Goodwill impairment	5	(621,899)	(5,150,321)
Operating loss before income tax		**(6,989,218)**	**(5,824,408)**
Income tax (expense) / benefit	9	387,579	(13,257)
Loss for the year attributable to owners		**(6,601,639)**	**(5,837,665)**
Total comprehensive losses for the year attributable to owners		**(6,601,639)**	**(5,837,665)**

Earnings per share / losses from operations attributable to equity holders of the Parent Company during the period:	Note	2022 $	2021 $
		cents	cents
Basic EPS from operations	21	(11.43)	(10.27)
Diluted EPS from profit / (loss) for the period	21	(11.43)	(10.27)

	Note	Unaudited 2022 $	Audited 2021 $
ASSETS			
Cash and cash equivalents	28	832,739	2,441,437
Restricted cash	28	416,649	403,649
Trade and other receivables	11	221,495	259,901
Prepayments		302,345	258,824
Inventories	12	509,479	455,067
Current tax asset	10	8,998	3,769
Total current assets		**2,291,705**	**3,822,647**
Property, plant and equipment	14	6,784,285	5,072,115
Right-of-use assets	13	11,440,245	12,444,350
Deferred tax asset	10	1,403,260	1,019,449
Intangible assets	5	23,120,889	23,742,788
Total non-current assets		**42,748,679**	**42,278,702**
TOTAL ASSETS		**45,040,384**	**46,101,349**
LIABILITIES			
Trade and other payables	16	2,531,335	2,192,564
Employee Entitlements	18	436,825	388,230
GST Payable		315,470	264,199
Lease liabilities	13	821,451	930,735
Financial guarantee liability	29	3,300	110,120
Provisions for make-good obligations	17	100,000	-
Borrowings	19	31,559,364	-
Total current liabilities		**35,767,745**	**3,885,848**
Provisions for make-good obligations	17	500,000	600,000
Trade and other payables - non-current	16	468,518	-
Employee entitlements	18	501,570	377,300
GST Payable - non-current		242,297	-
Lease liabilities	13	12,887,598	13,080,131
Financial guarantee liability	29	-	22,757
Borrowings - non-current	19	-	26,861,018
Total non-current liabilities		**14,599,983**	**40,941,206**
TOTAL LIABILITIES		**50,367,728**	**44,827,054**
NET ASSETS		**(5,327,344)**	**1,274,295**
EQUITY			
Share Capital	20.1	35,179,408	35,179,408
Accumulated Losses		(40,506,752)	(33,905,113)
TOTAL EQUITY		**(5,327,344)**	**1,274,295**

	Note	Share Capital	Accumulated Losses	Total Equity
		$	$	$
Balance at 30 June 2020		34,904,250	(28,067,448)	6,836,802
Profit for the year		-	(5,837,665)	(5,837,665)
Total comprehensive income for the year		-	(5,837,665)	(5,837,665)
Transactions with owners				
Share-based payment	20.1	275,158	-	275,158
Total contributions by / (distributions to) owners		275,158	-	275,158
Balance at 30 June 2021 (audited)		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 (unaudited)		35,179,408	(40,506,752)	(5,327,344)

	Note	Unaudited 2022 $	Audited 2021 $
Receipts from customers		17,718,512	23,042,768
Government grants	2.20	1,854,055	942,820
Other Income		5,284	160,254
Interest received		3,240	3,226
Payments to suppliers and employees		(16,097,042)	(19,279,501)
Interest expenses		(1,221,645)	(2,072,423)
Bank fees		(14,356)	(15,702)
Cash flows from operations prior to unusual items		**2,248,048**	**2,781,442**
Cash outflows from restructuring and advisory costs		(122,381)	(164,596)
Cash outflows from due diligence		(1,504,176)	-
Financial guarantee liability	29	-	(108,134)
Net cash inflows from operating activities	27	**621,491**	**2,508,712**
Purchase of property, plant and equipment		(2,794,764)	(731,151)
Net cash outflows from investing activities		**(2,794,764)**	**(731,151)**
Cash outflows from refinancing costs	19	-	(156,071)
Interest paid on lease liabilities		(1,334,631)	(1,232,128)
Principal paid on lease liabilities		(600,794)	(744,508)
Bank borrowings drawn down		2,500,000	-
Net cash inflows / (outflows) from financing activities	27	**564,575**	**(2,132,707)**
Net (decrease) / increase in cash and cash equivalents		(1,608,698)	(355,146)
Cash and cash equivalents at beginning of the year		2,441,437	2,796,583
Cash and cash equivalents at end of the year	28	**832,739**	**2,441,437**

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. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 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 Ground Floor, Building B, Ascot Business Park, 95 Ascot Avenue, Greenlane, Auckland 1051.

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

1.3 Going concern

For the year ended 30 June 2022 Good Spirits Hospitality Limited ('the Company') and its subsidiaries (collectively "the Group") reported a net loss before tax of $6.6m (2021: $5.8m loss) and its free cash flow (operating cash flows) was an inflow of $621k (2021: $2.5m inflow).

The Directors have undertaken a cash flow forecast review for the twelve months following the date of approval of this report, which shows that the Group will be able to meet its obligations as and when they fall due and comply with covenant requirements. This forecast is based on achieving significantly higher revenue in 2023 financial year than in 2022, and also allows for cost reductions implemented early in the 2022 year. In this regard the directors note the negative impact COVID related lockdowns had on trading during the 2022 year. The Group was closed or subject to restricted trading for nine months during the year.

In preparing these forecasts, assumptions included the Group's strategic plans, venues will be trading without any restrictions, future economic and market conditions, such as increased forecast tourism numbers and significantly larger number of events during the 2023 financial year. In addition, the Directors took into account trading results over the preceding months since COVID related restrictions (including lockdowns) have eased. The Group considers the operating cash flow forecasts to be achievable, with downside risks able to be partially mitigated through further cost reduction initiatives if needed.

The Directors acknowledge that an element of risk and uncertainty concerning the forecasts remain. The risk and uncertainty are primarily centred on the future macro-economic and market conditions and the level of overseas tourists and increasing number of future events.

The above factors are inherently uncertain and may negatively impact the Group's ability to achieve forecasts and comply with banking covenants going forward, and as such presents a material uncertainty which may cast significant doubt on the Group's ability to continue as a Going Concern.

The directors are also cognisant that the Group has not yet signed an extension to its banking facilities with Pacific Dawn Limited (PDL) which currently expire on 31 December 2022. However, the key considerations mentioned below highlight the board's view that an extension will be granted. However, should an extension not be successful the Group may need to prepare its financial statements on a basis other than a going concern.

It is the considered view of the Board of Directors that they have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future and that the Group will remain in compliance with its current banking facility. For this reason, the Board continue to adopt the going concern assumption in preparing the financial statements for the year ended 30 June 2022.

The Directors have reached their going concern conclusion having regard to circumstances which they consider likely to affect the Group during the period of one year from the date of approval of the financial statements and to circumstances which it knows will occur after that date which could affect the validity of the going concern assumption.

The key considerations the Board have reviewed are set out below:

a) The prior actions of PDL;
   i. namely the provision of waivers during previous COVID-19 lockdowns and PDL's previous openness to acquiring more shares in the Company, illustrate a historic willingness to work with and support the Company, which is assumed to continue in the future
   ii. PDL have previously extended the banking facility with the Group
   iii. PDL provided funding for the development of The Fox during the year
   iv. Positive discussions between the Group and PDL have indicated the facility will be extended, therefore the board considers the PDL facility will be available to support the Group's forecast trading operations throughout the 12 months from date of signing of the financial statements.

b) Operating results (June 22 to early August 2022) are better than management's expectations and forecasts

The financial statements do not include any adjustments that may be required to reflect the situation should the Group be unable to continue as a going concern. Such adjustments may include realising assets at amounts other than which they are recorded in the financial statements. In addition, the Group may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current.

Whilst there are inherent uncertainties as described above, it is the Directors' view that the Group will be able to pay its debts and commitments as they fall due in the 12 months from the signing of these financial statements.

1.4 Commitments

The Directors are comfortable the Group's commitments (if any) that will be incurred in the next 12 months are able to be met out of its established facilities and cash flows from its operating activities.

1.5 Contingencies

There are no contingencies at reporting date (2021: $nil), see note 26. The Group does not consider that the contingencies affect the appropriateness of the going concern assumption in the preparation of the financial report.

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.

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.

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. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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 an cash equivalents if the term deposit can be terminated at an earlier date, without incurring penalties.

Restricted cash comprises deposits held by the BNZ Bank on behalf of GSH.

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 service 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.

As the lease will not be extended at the O'Hagan's venue (see note 5), the remaining book value of PPE items at this venue will be transferred to other parts of the business or sold externally.

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, 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.

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. The employee benefit liability expected to be wholly settled within twelve months from reporting date is recognised in current liabilities.

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 of 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.

2.17.1 COVID-19 related rent concessions

In June 2020, the New Zealand Accounting Standards Board provided a practical expedient to NZ IFRS 16. The expedient permits Tier-1 and Tier-2 reporting entities not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions as lease modifications and, instead, to account for those rent concessions as reassessments. The Group adopted the expedient in FY2021. See note 13 for the Group's rent concession during the reporting period.

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.

	2022	2021
Revenue recognised by the Company include:	$	$
COVID-19 employee wage subsidy	1,641,881	905,429
IRD resurgence support payment	212,174	37,391
	1,854,055	**942,820**

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 29).

Financial guarantees issued by the Group are initially measured at their fair value and are included in 'Financial guarantee liability' (see note 24.5). 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 Share based payments – non employees

The Group measures the cost of share-based transactions with non-employees by reference to the fair value of the goods or services received at the date of issue unless that fair value cannot de determined, in which case the value of the equity instruments granted is used instead. Refer to note 3.8 for detail of the fair value of the share-based payments made in prior period.

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 the uncertainties in relation to the going concern assumption and the basis on which the Directors have concluded that the Group is a going concern.

3.2 Carrying value of goodwill

Impairment tests are performed by the Group to assess the carrying value of goodwill. These tests include making assumptions in relation to the future performance and growth as well as determining the period of expected benefits and appropriate discount rates in the value in use models. Refer to note 5 for key assumptions made.

The carrying value of the Group's assets principally rely on the operating performance and an expectation of continued growth in bar sales. If those growth expectations change, or the expected profitability of the Group otherwise changes, there may be impairments of the Group and/or Group's assets in future periods.

The goodwill impairment tests assume continuity in leases which are due to expire within the forecast period upon which Discount Cash Flow calculations are prepared.

Management and the board allocates head-office costs which are believed to be directly attributable to the running of the bars and ought to be included in the assessment of the Cash Generating Unit's carrying amount. Head office costs which are not deemed to relate to the respective bars, are not allocated to Cash Generating Units as part of impairment tests.

3.3 Tax

The Group has recognised the deferred tax asset of tax losses on the basis of the going concern assumption and the satisfaction of shareholder continuity or same business test requirements of the tax legislation, see note 10. 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.

3.4 COVID-19 pandemic

As a result of the ongoing COVID-19 pandemic and the Government restrictions imposed on the Group during the year, the Group has experienced reduced revenue and increased costs. The pandemic and Government restrictions have also impacted a number of financial statement areas, as outlined in the table below:

Financial statement area	Summary of COVID-19 impacts	Note
Going concern	The directors have concluded that the Company is a going concern, but there are uncertainties in relation to that conclusion.	1.3
Government grants	The Group received the funds from the New Zealand Government's wage subsidy scheme, income from the wage subsidy has been accounted for under NZ IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.	2.20
Rent abatements	The Group has elected to adopt the COVID-19-Related Rent Concession practical expedient issued by New Zealand External Reporting Board in June 2020.	2.17.1
Goodwill	Goodwill is valued using the value in use model. An assessment of the carrying value at the O'Hagan's venue has resulted in an impairment during the year. Assessments preformed on other venues has not resulted in any impairment.	5
Property, plant and equipment	Property, plant and equipment are stated at historical cost less depreciation and impairment. Following recovery of COVID-19 and the resulting economic impacts, as assessed at this reporting period, no impairment was identified. The Group has therefore concluded that no impairment is required.	14
Right-of-use assets	The Group has performed an assessment of expected recoverable value of these assets, through ongoing operations. The ongoing effects of COVID-19 and increased competition at one venue across the Group has resulted in revenue reduction. Therefore, the Group has resolved to impair this asset.	13.1

To date the Group has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- Reduced expenditure in non-critical business areas
- Received wage subsidies and other business support measures made available by the New Zealand Government. Refer to note 2.20.

- Renegotiating the Group's banking facilities, see note 30.1.
- During COVID lockdown periods the Group negotiated, in conjunction with its lender to capitalise interest due for the quarter ending December 21 and March 22.

3.5 Interest bearing liabilities

The Directors have disclosed in note 19 the capitalisation of financing costs against borrowings, which will be amortised to interest expense over the three year life of the facility.

3.6 Provision for lease obligations

The Directors have disclosed in note 17 the estimated provision for lease obligations which covers the make good liability at the end of a lease.

3.7 NZ IFRS 16 Leases

In applying NZ IFRS 16, a number of judgements and estimates have been made. The Group has assumed that virtually all extension options on leases will be exercised which is consistent with the business model and past practice as the Group has consistently exercised rights of renewal.

3.8 Loan modification – share-based payment

During the year, there were no loan modifications completed. During the period ended 30 June 2021 and as a result of the Group amending its loan facilities, GSH issued 3,668,768 ordinary shares of GSH to Pacific Dawn as consideration for the amendments to the facility as an equity settled share-based payment transaction. The implied value of the modification was not ready available, therefore the value of the shares issued ($275,158 - see note 20.1) has been determined by the quantity of shares issued multiplied by the share price on the date of issue, as fair value of the services could not be readily determined.

3.9 Financial guarantee liability

The Group provides a financial guarantee to a landlord relating to a venue the group previously operated (see note 29). In determining the expected loss arising from the financial guarantee, the Group has taken into consideration the probability and expected timing of default by the current tenant. This probability is based on potential COVID resurgence, and site visits performed by the Group.

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 2022 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

	2022	2021
Goodwill	$	$
Opening balance net book value	23,742,788	28,893,109
Impairment of goodwill	(621,899)	(5,150,321)
Closing net book value	**23,120,889**	**23,742,788**

Goodwill arose on the acquisition of Good Spirits No.1 Limited (GSH No.1) and subsequent bars purchased. It has been allocated to its ten cash generating units (CGU). The individual bars are determined to be separate CGUs. On an annual basis, the recoverable amount of the goodwill is determined based on value in use calculations for each CGU to which the goodwill relates. Goodwill is tested for impairment at 30 June each year.

The value in use calculations are initially based on financial budgets and business plans approved by the Directors. Cash flows beyond this period are extrapolated using the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

Following the COVID-19 challenges experienced during prior reporting periods and the current year, it is inherently difficult to forecast future performance of the Group's operations. The Group has prepared a reasonable budget and forecasts based on current expectations, however, there remains an element of risk which is primarily dependent on general market conditions. Furthermore, the Directors also note that the Group's negative net asset position is not a true representation of the asset value due to the fact that internally generated goodwill is not recognised in the financial statements and that the development costs of venues are amortised.

The carrying values of the Group's assets principally rely on the forecast operating performance, execution of expected lease strategy and the expectation of growth returning to bar sales. If those expectations change, or the expected profitability of the bars otherwise changes, there may be impairments of the Group assets in future periods. These expectations represent past experience and are consistent with external sources of information.

During the year the Directors resolved to impair goodwill of $621,899 at the O'Hagan's venue. This impairment is a direct result of the lease expiring in December 22.

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

	2022	2021
	$	$
O'Hagan's	621,899	5,150,321
	621,899	**5,150,321**

Goodwill has been allocated to the following CGUs:	2022	2021
	$	$
Danny Doolan's	11,397,264	11,397,264
O'Hagan's	310,950	932,849
The Cav	3,910,060	3,910,060
Botany Commons	280,099	280,099
Doolan Brothers Ellerslie	3,234,170	3,234,170
Citizen Park	2,166,272	2,166,272
Union Post	1,415,911	1,415,911
C&B Hamilton	406,163	406,163
	23,120,889	**23,742,788**

The key assumptions used for the value in use calculations for all CGUs are as follows:

	2022	2021
Pre-tax discount rate	22.1%	21.0%
Cash flow forecast period	3 years	3 years
Terminal growth rate	2.0%	2.0%

6 REVENUE

	2022	2021
Revenue of bars	$	$
Auckland	15,911,373	21,147,110
Hamilton	1,776,449	2,168,609
	17,687,822	23,315,719

7 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 (non-trading), see note 30.2

7.1 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.

7.2 Geographical

GSH and its subsidiaries operate within New Zealand and derived no revenue from foreign countries for the year ended 30 June 2022 (2021: nil).

7.3 Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2022 (2021: nil).

7.4 Capital expenditure (including software)

	Note	2022	2021
		$	$
GSH No.1 Ltd	14	2,794,764	731,151
		2,794,764	731,151

7.5 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.

	2022			2021		
	Revenue	EBITDA	EBITDA before unusual items	Revenue	EBITDA	EBITDA before unusual items
	$	$	$	$	$	$
GSH No.1 Ltd	17,698,390	2,778,363	1,299,268	23,475,973	1,584,831	4,850,200
Corporate	-	(2,665,118)	(1,038,561)	-	(1,305,430)	(1,114,826)
Group	**17,698,390**	**113,245**	**260,707**	**23,475,973**	**279,401**	**3,735,374**
Unusual items						
Restructuring and advisory costs		-	(122,381)		-	(164,595)
Due diligence		-	(1,504,176)		-	(26,009)
Depreciation of right-of-use assets		(1,375,587)	(1,375,587)		(1,359,122)	(1,359,122)
Interest on leases		(1,334,631)	(1,334,631)		(1,232,128)	(1,232,128)
IFRS 16 adjustments		-	1,935,425		-	1,976,637
Rent concessions		-	235,214		-	81,761
Gain on lease modifications		-	326,510		-	-
Financial guarantee liability (see - note 29)		-	93,064		-	(241,011)
Loan modification adjustment		-	-		-	552,762
Right-of-use assets impairment		-	(489,219)		-	(485,197)
Goodwill impairment		-	(621,899)		-	(5,150,321)
Depreciation and amortisation		(961,138)	(961,138)		(824,100)	(824,100)
Finance expense (net of income)		(3,431,107)	(3,431,107)		(2,688,459)	(2,688,459)
Profit / (loss) before income tax		**(6,989,218)**	**(6,989,218)**		**(5,824,408)**	**(5,824,408)**

Statement of Financial Position	2022	2022	2021	2021
	$	$	$	$
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
GSH No.1 Ltd	44,670,816	49,796,232	44,945,267	44,353,712
Corporate	369,568	571,496	1,156,082	473,342
Group	**45,040,384**	**50,367,728**	**46,101,349**	**44,827,054**

8 OTHER EXPENSES

	2022	2021
Other expenses include:	$	$
Advertising and marketing costs	786,197	1,065,004
Computer & POS - Subscriptions	164,400	134,631
Entertainment	119,552	173,677
Equipment hire (Short term lease)	33,715	30,476
Insurance	191,778	196,897
Professional and other advisory costs	324,780	379,088
Property expenses	1,767,867	1,817,419
Repairs and maintenance	244,560	262,479
Travel expenses	74,889	93,122
Other	1,041,007	1,116,944
	4,748,745	5,269,737

	2022	2021
Remuneration to auditors:	$	$
Audit Services		
Audit of financial statements	77,000	87,000
Other Services		
Tax compliance services	25,000	25,000
	102,000	112,000

9 TAX EXPENSE

		2022	2021
The income tax expense consists of the following:	Note	$	$
Loss before income tax from continuing operations		(6,989,218)	(5,824,408)
Income tax calculated at 28% (2021: 28%)		(1,956,981)	(1,630,834)
Non-deductible expenses		1,149,180	1,806,660
Tax in respect of prior years		(2,753)	1,715
Current year tax losses not recognised/(utilised)		942,111	100,000
Non-assessable income		(519,136)	(264,284)
Tax expense / (benefit)		**(387,579)**	**13,257**
Current tax expense		(3,768)	-
Deferred tax expense / (benefit)	10	(383,811)	13,257
		(387,579)	13,257

10 TAX BALANCES

	Note	2022 $	2021 $
Income tax payable / (receivable)			
Opening balance		(3,769)	(104)
Tax expense		-	-
Tax in respect of prior years		(3,767)	(3,039)
Cash tax (paid)		(1,462)	(626)
Balance at 30 June		**(8,998)**	**(3,769)**
Deferred tax asset			
Opening balance		1,019,449	1,032,706
Tax benefit / (expense)	9	384,825	(11,542)
Tax in respect of prior years	9	(1,014)	(1,715)
Balance at 30 June		**1,403,260**	**1,019,449**
The deferred tax asset consists of:			
Accrual for annual leave		236,726	205,292
Leases		635,265	438,624
Tax losses		234,840	60,630
Property, plant and equipment		130,092	130,092
Other provisions		166,337	184,811
		1,403,260	**1,019,449**

11 TRADE AND OTHER RECEIVABLES

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

	2022 $	2021 $
Trade receivables	221,495	254,401
Total current	221,495	254,401

Included in Trade receivables is un-cleared cash from eftpos receipts of $101,621.

12 INVENTORIES

	2022 $	2021 $
Food	110,207	89,476
Beverages	399,272	365,591
	509,479	455,067

13 LEASES

Right-of-use assets	Note	Properties $	Vehicles $	2022 Total $	2021 Total $
Opening balance		12,425,459	18,891	12,444,350	13,484,874
Additions for the period		1,677,445	-	1,677,445	-
Lease remeasurement		220,495		220,495	803,795
Modification adjustment		(1,037,239)	-	(1,037,239)	-
Right-of-use assets impairment	13.1	(489,219)	-	(489,219)	(485,197)
Depreciation		(1,357,625)	(17,962)	(1,375,587)	(1,359,122)
Balance		**11,439,316**	**929**	**11,440,245**	**12,444,350**

Lease liabilities	Note	Properties $	Vehicles $	2022 Total $	2021 Total $
Opening balance		13,989,109	21,757	14,010,866	14,033,341
Additions for the period		1,677,445	-	1,677,445	-
Lease remeasurement		220,495		220,495	803,794
Modification adjustment		(1,363,749)	-	(1,363,749)	-
Rent concession	2.17.1	(235,214)		(235,214)	(81,761)
Interest for the period		1,332,915	1,716	1,334,631	1,232,128
Lease payments		(1,914,899)	(20,526)	(1,935,425)	(1,976,636)
Balance		**13,706,102**	**2,947**	**13,709,049**	**14,010,866**
Current				821,451	930,735
Non-current				12,887,598	13,080,131
				13,709,049	**14,010,866**

13.1 Impairment of Right-of-Use Asset

As part of the annual impairment test across the Group's assets, GSH identified that one of its venues, DB Newmarket indicated possible impairment of its right-of-use asset. The ongoing effects of COVID-19 and increased competition in the area has resulted in revenue reduction at this venue. 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 profit or loss.

The Group has performed a test of expected recoverable value of these assets, through ongoing operations. The impairment tests showed that the recoverable amount was less than carrying value of the right-of-use asset by $489,219 (2021: $485,197). Therefore, the directors resolved to impair $489,219 against the right-of-use asset at DB Newmarket in FY2022.

The key assumptions used for the value in use calculations for DB Newmarket are as follows:

Pre-tax discount rate	22.1%
Cash flow forecast period	3 Years
Terminal growth rate	2.0%

	2022 $	2021 $
Short-term lease expense	18,681	46,123

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

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**

As at 30 June 2021	Up to 3 months	Between 3 & 12 months	Between 1 & 2 years	Between 2 & 5 years	Over 5 Years	Total
	$	$	$	$	$	$
Lease liabilities	535,815	1,553,469	1,938,871	5,520,020	13,910,971	**23,459,146**

Nature of leasing activities (in the capacity as lessee)

The Group leases 11 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 $47,873 outflow compared to the current period's cash outflow.

14 PROPERTY, PLANT AND EQUIPMENT

	Note	Work in progress (WIP)	Fixture, Plant, Office equipment	Computer equipment	Lease Improvements	Total
		$	$	$	$	$
Year ended 30 June 2022						
Opening balance net book value		**90,534**	**1,937,911**	**3,393**	**3,040,277**	**5,072,115**
Additions	7.4	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**	**2,256,351**	**68,952**	**4,416,148**	**6,784,285**
At 30 June 2022						
Cost		42,834	4,493,728	151,400	6,501,560	11,189,522
Accumulated depreciation & impairment		-	(2,237,377)	(82,448)	(2,085,412)	(4,405,237)
Net book value		**42,834**	**2,256,351**	**68,952**	**4,416,148**	**6,784,285**
Year ended 30 June 2021						
Opening balance net book value		**34,000**	**1,889,392**	**32,319**	**3,211,587**	**5,167,298**
Impairment- property, plant & equipment						-
Additions	7.4	253,487	364,262	43,154	70,248	731,151
WIP transferred to relevant class		(196,953)	90,333	-	106,620	-
Disposals		-	-	(2,234)	-	(2,234)
Depreciation charge		-	(406,076)	(69,846)	(348,178)	(824,100)
Closing net book value		**90,534**	**1,937,911**	**3,393**	**3,040,277**	**5,072,115**
At 30 June 2021						
Cost		90,534	3,739,390	114,875	4,748,577	8,693,376
Accumulated depreciation & impairment		-	(1,801,479)	(111,482)	(1,708,300)	(3,621,261)
Net book value		**90,534**	**1,937,911**	**3,393**	**3,040,277**	**5,072,115**

15 SUBSIDIARIES

The following subsidiaries operate wholly in New Zealand.

		2022	2021
		Interest	Interest
Operating subsidiary	**Activity**		
Good Spirits Hospitality No.1 Limited	Hospitality Business	100%	100%

16 TRADE AND OTHER PAYABLES

	2022	2021
	$	$
Trade payables	2,521,092	1,793,307
Accrued expenses	478,761	399,257
Current liabilities	**2,999,853**	**2,192,564**
Categorised as:		
Current	2,531,335	2,192,564
Non-current	468,518	-
	2,999,853	**2,192,564**

17 PROVISION FOR MAKE GOOD OBLIGATIONS

	2022	2021
	$	$
Opening balance	600,000	600,000
Charged to earnings for the year	-	-
Closing balance	**600,000**	**600,000**
Categorised as:		
Current	100,000	-
Non-current	500,000	600,000
	600,000	**600,000**

18 EMPLOYEE ENTITLEMENTS

	2022	2021
	$	$
Accrual for annual leave	887,829	733,187
Accrual for kiwiSaver	50,566	32,343
	938,395	**765,530**
Categorised as:		
Current	436,825	388,230
Non-current	501,570	377,300
	938,395	**765,530**

19 BORROWINGS - SECURED

	Note	2022 $	2021 $
Bank drawn down	24.3.1	31,749,633	29,249,633
Capitalised interest accumulated		2,232,439	1,088,052
Bank repayments accumulated		(2,500,000)	(2,500,000)
Amount owed to Pacific Dawn before exit fee	23.2	**31,482,072**	**27,837,685**
Exit fee payable		584,993	546,437
Total amount owed to Pacific Dawn		**32,067,065**	**28,384,122**
Loan modification adjustment	3.8	(238,452)	(552,762)
Capitalised financing cost against borrowings		(269,249)	(807,748)
Share based payment remaining amortisation		-	(162,594)
Closing balance	24.3	**31,559,364**	**26,861,018**
Categorised as:			
Current		31,559,364	-
Non-current		-	26,861,018
		31,559,364	**26,861,018**

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

19.1 Bank borrowings

There have been no breaches of covenants for the current or prior year under the facility arrangement. 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. During the year an Event of Review occurred due to advice that the lease would not being extended or varied at 101-103 Customs Street West (O'Hagan's venue). GSH received correspondence on 18 September 2021 that the lease will not be extended thus triggering an Event of Review. Pacific Dawn was immediately notified of this correspondence and advised that it did not intend to take any action in respect to this Event of Review. In addition, during the year the Group received interest payable waivers from its lender for the quarters ended December 21 and March 22 as a result of COVID impacted trading. The interest due was capitalised to the loan.

The borrowing in the year had an effective interest rate of 11.1% (2021: 11.7%) which includes amortisation associated with capitalised costs . Bank borrowings at 30 June 2022 mature on 31 December 2022. They are secured by the GSA over all of the assets of the Group. Items classified as current at June 2022 include loans maturing within 12 months. At reporting date the Group is renegotiating its banking facilities with its lender, ref note 30.1

20 SHARE CAPITAL AND SHARE CAPITAL RESERVE

20.1 Issued and paid-up capital - ordinary shares

	Note	2022 Shares	2022 $	2021 Shares	2021 $
Balance at beginning of the year		57,734,458	35,179,408	54,065,690	34,904,250
Share-based payment transaction	3.8	-	-	3,668,768	275,158
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.

21 EARNINGS PER SHARE (EPS)

	2022	2021
	$	$
Profit / (loss) for the year from continuing operations	(6,601,639)	(5,837,665)
Issued Ordinary Shares	57,734,458	57,734,458
Weighted average number of shares	57,734,458	56,817,266
Diluted Ordinary Shares	57,734,458	57,734,458

There are no dilutive instruments in issue.

	cents	cents
Basic EPS	(11.43)	(10.10)
Diluted EPS	(11.43)	(10.10)

22 DIVIDEND PAID OR AUTHORISED

GSH paid dividends amounting to nil during the year (2021: nil).

23 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:

23.1 Transactions with Key Management

- Andrew Christie is a shareholder and director of Christie Whiting Vermunt Ltd (CWV), which owns 13.98% of the shares in GSH. CWV is a shareholder of LJMP Ltd (and Mr Christie was previously a director of LJMP Ltd) which received rental and opex payments during the year as lessor of the O'Hagan's site in the amount of $94,496 (2021: $188,991) for the period Mr Christie was a director of GSH being 1 July 2021 to 3 September 2021. These payments were made pursuant to a formal lease agreement between GSH and the previous owner and landlord of the property, prior to LJMP's purchase of the property. Andrew Christie also received $859 (2021: $nil) in relation to reimbursement for legal advice provided on Good Spirits Hospitality conflicts. Mr Christie resigned as a director of GSH effective from 3 September 2021.

- 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 period GSH provided kitchen services to these businesses. Amounts received by GSH from BOQL in relation to kitchen services in the period totalled $4,594 (2021: $160,254), with $nil (2021: $5,143) owed but not due at reporting date.

    Broken down by service the amounts are as follows:

Service	2022	2021
	$	$
Accounting Services	-	20,000
Management Services	-	102,518
Kitchen Services	4,594	37,736
Total	**4,594**	**160,254**

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

  - GSH historically purchased stock from BOQL. Transactions in the current year totalled $nil (2021: $391). Stock was purchased from BOQL only when there was an urgent need by GSH.

- 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 the Board of Directors of GSH. Fees paid by the Group for these services during, and in respect of, the year totalled $329,640 (2021: $132,180), with $23,508 (2021: $nil) owed but not due at reporting date.

- Strategic, financing and business advisory services relating to the Nourish transaction (in addition to director responsibilities) were provided to the Group by Duncan Makeig former chairman of Directors of GSH. Fees paid by the Group for these services during, and in respect of, the year totalled $80,262 (2021: $15,316).

23.2 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 $1,195,705 (2021 $2,072,543) and fees of $nil (2021 $nil). In addition, PDL were due to receive interest payments of $1,144,387 (2021 $nil) during the year, however due to COVID restrictions the interest payments were capitalised against the loan. PDL also provided funding of $2,000,000 to GSH for the development of a new venue and provided $500,000 during COVID lockdown for working capital. The outstanding amount owed to PDL before exit fee at reporting date is $31,482,072 – see note 19 (2021 $27,837,685). Subsequent to reporting date, renewed banking arrangements were still in negotiation between PDL and the Group, refer note 30.1.

23.3 Compensation of Key Management Personnel

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

	2022	2021
	$	$
Consisting of salaries	552,464	553,557

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:

	2022	2021
	$	$
Directors fees	219,444	212,400

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

24 FINANCIAL INSTRUMENTS

24.1 Capital management

The Group manages its capital to ensure that entities in the Group are able to continue as a going concern (see note 1.3) while maximising the return to shareholders, and to optimise the debt and equity balances to reduce the cost of capital.

The Group is not subject to any externally imposed capital requirements with the exception of covenants discussed in note 19.1. 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.

24.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern 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 2022 the Group has negative working capital and negative equity. This is managed on an on-going basis through cash flows from future profitability.

24.3 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. As outlined in note 3.4, the Group recognises the impact of COVID-19 and have taken all measures to reduce the impact to the business.

The Group hold the following financial instruments:

		Fair value through profit or loss		Amortised cost	
		2022	2021	2022	2021
Financial assets	Note	$	$	$	$
Cash and cash equivalents	28	-	-	832,739	2,578,837
Restricted cash	28	-	-	416,649	266,249
Trade receivables	11	-	-	221,495	254,401
		-	**-**	**1,470,883**	**3,099,487**
Financial liabilities					
Bank borrowings	19	-	-	31,559,364	26,861,018
Trade and other payables (excluding GST and employee entitlements)		-	-	2,998,871	2,192,564
Financial guarantee liability	29	3,300	132,877	-	-
		3,300	**132,877**	**34,558,235**	**29,053,582**

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.

24.3.1 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 2022 the Group did not enter into any derivative financial instruments (2021: $nil).

As at 30 June 2022 the Group had $31,749,633 (see note 19) drawn on a facility provided by the bank (2021: $29,249,633). 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 2022 would have decreased / increased by $787,052 (2021: $277,000).

24.3.2 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.

24.3.3 Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's 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:

	2022	2021
	$	$
Borrowing facilities (of which $31,749,633 drawn, 2021: $29,249,633)	**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 both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted cash flow are derived from the interest rate at 30 June.

	Carrying value at reporting date	0 -3 months	3-12 months	Year 2	Total contractual cash flows
	$	$	$	$	$
As 30 June 2022					
Interest bearing liabilities	**26,328,191**	320,724	32,444,243	-	32,764,967
Trade and other payables	**2,531,335**	2,531,335	-	-	2,531,335
Financial guarantee liability	**3,300**	3,300	-	-	3,300
	28,862,826	**2,855,359**	**32,444,243**	**-**	**35,299,602**
As 30 June 2021					
Interest bearing liabilities	**26,328,191**	479,504	1,438,512	29,755,701	**31,673,717**
Trade and other payables	**2,192,564**	2,192,564	-	-	**2,192,564**
Financial guarantee liability	**132,877**	8,750	104,339	19,788	**132,877**
	28,653,632	**2,680,818**	**1,542,851**	**29,775,489**	**33,999,158**

24.4 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.

24.5 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 28), Borrowings (note 19)
- Level 2 - Restricted cash (note 28), trade and other financial receivables (note 11), trade and other financial payables (note 16)
- Level 3 - Financial guarantee liability (note 29)

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.

24.6 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, $34,356 is held in GSH's bank accounts which are not included in these financial statements. The total amount owing to the Trust is $71,615 (2021: $152,254).

25 COMMITMENTS

- The Group has capital commitments of $nil as at 30 June 2022 (2021: $101,954).
- The Group has other commitments of $nil as at 30 June 2022 (2021: $nil).

26 CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2022 (2021: $nil).

27 NOTES SUPPORTING STATEMENTS OF CASH FLOWS

27.1 Reconciliation to operating activities in the cashflow:

	Note	2022 $	2021 $
Loss for the year		**(6,601,639)**	**(5,837,665)**
Adjusted for:			
Depreciation and amortisation		961,138	824,100
Depreciation of right-of-use assets		1,375,587	1,359,122
Interest on leases		1,334,631	1,232,128
Financial guarantee liability	29	(131,038)	132,877
Exit fee movement		38,556	-
Goodwill impairment		621,899	5,150,321
Disposal of property, plant and equipment		121,456	2,234
Rent concessions		(235,214)	(81,761)
Gain on lease modifications		(326,510)	-
Non-cash interest charges		1,144,387	603,560
Loan modification adjustment		1,015,403	(552,762)
Right-of-use assets impairment		489,219	485,197
Deferred tax		(387,579)	9,592
Changes in assets and liabilities			
Decrease / (increase) in receivables and prepayments		(18,115)	(216,559)
Decrease / (increase) in inventories		(54,412)	(70,088)
Increase / (decrease) in trade payables and accruals		1,273,722	(531,584)
Net cash inflows from operating activities		**621,491**	**2,508,712**

27.2 Reconciliation to financing activities in the cashflow:

	Current loans	Non-current loans	Lease liability (note 13)	Total contractual cash flows
	$	$	$	$
As at 30 June 2020	**715,187**	**26,527,680**	**14,033,341**	**41,276,208**
Cash Flow				
Principal paid on leases	-	-	(744,508)	(744,508)
Cash outflows from refinancing costs	-	(156,071)	-	(156,071)
Non-cashflows				-
Current portion reclassified as non-current	(715,187)	715,187	-	-
Interest paid on leases	-	-	(1,232,128)	(1,232,128)
Gain on Loan modification	-	(552,762)	-	(552,762)
Refinancing of loan	-	(98,747)	-	(98,747)
Movement in exit fees	-	189,775	-	189,775
Rent concession	-	-	(81,761)	(81,761)
Interest expense	-	235,956	-	235,956
Lease adjustments	-	-	2,035,922	2,035,922
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
Capatlised 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**

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents (for purposes of the statement of cash flows comprises:)

Cash and cash equivalents	2022	2021
(for purposes of the statement of cash flows comprises:)	$	$
Cash at bank	743,919	2,353,217
Cash on hand	88,820	88,820
	832,739	**2,441,437**
Restricted cash		
Bank term deposit	76,154	76,154
Gaming floats	150,400	137,400
Landlord bonds	190,095	190,095
	416,649	**403,649**

29 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. During the period ending 30 June 2021, a financial guarantee liability was recorded based on the outstanding top-up obligation ($38,300) and management's estimation of future loss under the guarantee ($94,578). The total financial guarantee liability reported was $132,877. During the year GSH paid $35,000 in rent and have recorded a total financial guarantee liability of $3,300 (2021: $132,877). In addition, the guarantee of $94,578 provided by GSH was not required as the current tenant has met all obligations.

30 EVENTS AFTER REPORTING DATE

30.1 Banking facility expiry date

Subsequent to year-end and in conjunction with Pacific Dawn Limited, the Group is currently finalising its banking facility extension which expires on 31 December 2022. At the time of releasing these unaudited accounts the Group have not received an updated agreement from its lenders. However, the directors are confident that an extension will be finalised soon, refer note 1.3.

30.2 Lease of viaduct venue

During the year, the Group entered into a conditional agreement to acquire a further venue in Auckland's premier hospitality precinct - the Viaduct, next to its popular Danny Doolan's bar. GSH settled this agreement on 4 August 2022. The Group has incorporated a new company, Good Spirits Hospitality No.3 Limited to operate this new venue. The purchase price was $250,000 plus stock ($9.7k) and the Group will take an assignment of the current lease of the premises with an initial term of 6 years plus 1 further right of renewal of three years.