GOOD SPIRITS
Hospitality

Annual Report

2022

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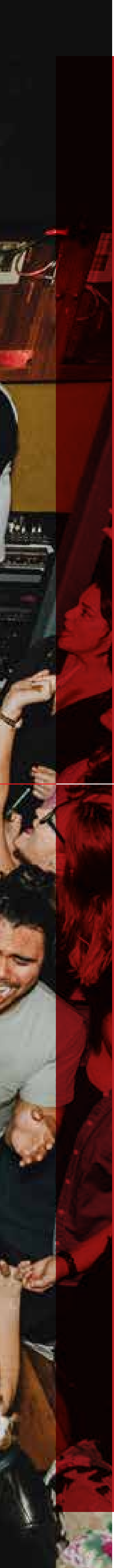

Chairman's Report

On behalf of the Board, I would like to present Good Spirits Hospitality Limited's (GSH or the Group) Annual Report for the year ended 30 June 2022.

Solid FY22 financial performance despite COVID

The Financial Year ended 30 June 2022 (FY22) has been another challenging year for the Group, with COVID continuing to impact the business throughout the year.

FY22 RESULT SUMMARY

(% changes compared to prior comparative period):

- Operating Revenue decreased 24% to $17.7m. This was primarily due to COVID lockdowns, capacity restrictions and travel restrictions affecting international traveler numbers;

- During the period when venues were operating the underlying venue EBITDA (before unusual items and corporate costs) was strong, despite the challenges presented by COVID during the year;

- The Group reported a Net Loss After Tax of $6.6m (FY21: $5.8m Net Loss). There were a number of one-off unusual items that contributed to the reported net loss, including due diligence costs of $1.5m related to the failed Nourish Group acquisition, non-cash Goodwill impairments of $0.6m (FY21: $5.2m), and a non-cash right-of-use asset impairment of $0.5m (FY21: $0.5m);

- Group operating cash flows prior to unusual items for the period were $2.2m, compared to $2.8m in FY21;

- Strong operating performance in the second half of FY22 driven by the gradual easing of COVID restrictions and a progressive return to pre-COVID trading showed the resilience and popularity of our venues.

The impact of COVID on the Group's financial result in FY22 was considerable. The Delta lockdown in Auckland from August 2021 to December 2021 forced the mandated closure of all Auckland venues for a period of 107 days, which materially impacted our revenue and placed the Group under severe cash flow pressure. Furthermore, the Omicron outbreak in early 2022 had a marked impact on customer sentiment, with many venues running significantly below capacity with reduced operating hours. In addition, the mandated international border closures throughout the year resulted in no international visitors, which also negatively impacted our revenue and contributed to labour shortages.

The repercussions of COVID related lockdowns and restrictions adversely impacted Group earnings by approximately $9.8m in FY22. Covid trading conditions also contributed towards an increase in net debt to $30.7m (FY21: $24.4m) due to the capitalisation of two quarterly interest payments and provision of working capital by the Group's lender Pacific Dawn Limited (Nomura).

AUDITED ACCOUNTS

The financial statements included in this annual report are audited and the auditors have issued an unqualified opinion, with an Emphasis of Matter over the going concern assumption. The Directors have disclosed (see note 1.3) a material uncertainty regarding going concern.

Whilst material uncertainties exist, the Board of Directors consider that there is reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. Taking all factors into consideration, the expected financial performance of the Group and the positive operating cash flows, it is the considered view of the Board that the Group is a going concern.

NO DIVIDEND

The Board has resolved that no dividend will be declared for the year ended 30 June 2022.

TRADING UPDATE AND OUTLOOK

The new financial year has started ahead of expectations. While COVID-related challenges persist to some extent, the easing of COVID restrictions and the progressive reopening of international borders and return of major events to Auckland are expected to result in a significantly improved financial result in FY23.

For the FY23 financial year, GSH is budgeting a return to average pre-COVID venue trading levels, which is supported by the recovery in trading achieved in the last quarter of FY22 and the first quarter of FY23. Despite ongoing inflationary pressures, average transaction values remain consistent, demonstrating the strength of the Group's venues.

The Group's operating plan has been refined to maximise the performance of each venue while further creating an outstanding customer experience. During FY22 we successfully acquired and launched The Fox – a London Pub in the Viaduct, and post financial year end we acquired The Velvet Bar, another venue in the same Viaduct precinct. These acquisitions add to our portfolio of high performing, quality venues and provide GSH with a great opportunity to build on its position as a leading hospitality provider in New Zealand. Furthermore, having three prime venues (Danny Doolan's, The Fox and the Velvet Bar) located within the Viaduct precinct will provide GSH with material operational synergies. All venues are forecast to be profitable through the FY23 financial year, with the exception of Doolan Brothers Newmarket (currently not trading).

As previously announced to the market, GSH will close one of its principal Viaduct venues (O'Hagan's) when the current lease expires in December 2022, which is expected to have a material impact on the future earnings of the Group. However, this negative impact is expected to be partially offset by positive earnings contributions from The Fox and Velvet Bar.

As with the rest of the NZ hospitality sector, the Group has faced a tight and challenging labour market that has led to a skills shortage and forced a reduction in trading hours across some of our venues. We are seeing signs that these conditions are beginning to ameliorate and expect labour conditions to improve ahead of the summer. I would like to take this opportunity to thank our loyal and dedicated staff who continue to work tirelessly through a very difficult period.

Subsequent to financial year end, the Group has reached agreement with its lender, Pacific Dawn Limited, to extend the date for repayment of the loan facility until 31 December 2023. GSH's lender has been supportive over the past couple of years during an unprecedented global pandemic but is now looking for a concrete plan to address the current financial position of the Group. As a result, the Board has sought input from Tonnant Partners on potential strategic options available to the Group, beyond what is currently an organic growth strategy. This strategic options review is underway, and we will update the market with any material developments as they progress.

CONCLUSION

On behalf of my fellow directors, I thank you all for your continued support as shareholders in Good Spirits Hospitality and I would like to extend my thanks to the Board and senior management team for their leadership and support of the business units.

Regards

Matt Adams

Chairman, Good Spirits Hospitality Limited

Directors' Profiles

Matt Adams

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

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

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

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

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

Directors' Profiles

Carl Carrington

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

Carl has significant hospitality experience. His senior management experience is primarily in the food & beverage sector with 14 years in DB Breweries, Lion Nathan and Heineken joint venture businesses in New Zealand, Asia and Australia including five years as Managing Director of the Heineken-Lion Joint Venture in Australia. His most recent senior management experience has been six years as CEO of pan-iwi owned Moana New Zealand.

He is currently a Director of Hop Revolution Limited, Reefton Distilling Co, Mt Cook Alpine Salmon, UMF Honey Association, Cawthron Institute and McCashin's Brewery.

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

John Seton

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

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

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

Corporate Governance Statement

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

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

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

Recommendation 1.1 Code of Ethical Behaviour

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

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

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

Recommendation 1.2 Financial dealing policy

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

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

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

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

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

Recommendation 2.1 Written Board Charter

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

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

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

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

Recommendation 2.2 Nominating and appointing directors to the board

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

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

Recommendation 2.3 Written agreements with each director

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

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

Recommendation 2.4 Information on directors

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

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

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

Matt Adams (Independent Director)	Mr Adams was appointed Independent Chairman on 28 June 2022 upon Mr Makeig's resignation
Carl Carrington (Independent Director)	
Andrew Christie (Non-Independent Director)	Mr Christie resigned 3 September 2021
Duncan Makeig (Independent Chairman)	Mr Makeig resigned on 28 June 2022
John Seton (Independent Director)	John was appointed 6 September 2021

Attendance at Board meetings

Directors attended the following total number of meetings during the accounting period ended 30 June 2022:

Matt Adams	14
Carl Carrington	14
Andrew Christie [1]	2
Duncan Makeig [2]	14
John Seton [3]	12

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

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

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

Recommendation 2.5 Diversity Policy

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

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

As at 30 June 2022, the gender balance of the Group's Directors and officers was as follows:

	2022				2021			
	Gender Diverse	Female	Male	Total	Gender Diverse	Female	Male	Total
Directors	-	-	3	3	-	-	4	4
Officers	-	2	4	6	-	2	4	6

Recommendation 2.6 Director training

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

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

Recommendation 2.7 Performance

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

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

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

Recommendation 2.8 Independent directors

A majority of the board should be independent directors.

As at 30 June 2022 all three of GSH's were independent. As at the date of this Annual Report, all of GSH's Directors are independent.

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

Recommendation 2.9 Chairman and CEO

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

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

PRINCIPLE 3: BOARD COMMITTEES

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

Recommendation 3.1 Audit committee

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

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

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

Mr Seton has a financial background including membership of Audit Committee for other companies and having previously brrn a CFO of a public company.

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

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

Attendance at Audit and Risk Management Committee meetings

Directors attended the following total number of meetings of the ARMC during the financial year.

Matt Adams	2
Carl Carrington	2
Duncan Makeig	2
John Seton	-

The ARMC usually only meet formally once a year. Other discussions pertaining to the ARMC during the accounting period ended 30 June 2022 were held by the full Board, including the appointment of Mr Seton as Chair ARMC upon the appointment of Mr Adams as Chair of the Board upon the resignation of Mr Makeig.

Recommendation 3.2 Employees attendance at audit committee meetings

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

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

Recommendation 3.3 Remuneration committee

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

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

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

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

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

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

Recommendation 3.4 Nomination committee

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

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

Recommendation 3.5 Other committees

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

The Board has a separate Investment Committee (IC), which has a written charter and, at the date of this Annual Report, is solely comprised of Independent Directors. During the year a sub-committee, comprised of members of the Board, executives and external advisors, was formed to consider and determine actions necessary and thought fit in respect of progressing the proposed Nourish transaction in order to be brought to the Board for final investment decision. A number of Board meetings incorporated IC and its sub-committee discussions. For the accounting period ended 30 June 2022, Directors attended the following total number of meetings of the IC:

Matt Adams	13
Duncan Makeig	13

It has been agreed that formal meetings of the IC will be held as and when required.

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

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

GSH has no other committees during the accounting period ended 30 June 2022.

Recommendation 3.6 Protocols for takeover offer

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

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

PRINCIPLE 4: REPORTING AND DISCLOSURE

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

Recommendation 4.1 Continuous disclosure

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

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

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

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

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

Recommendation 4.2 Make key documents available

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

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

Recommendation 4.3 Financial reporting

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

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

Financial reporting

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

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

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

Non-Financial reporting

GSH has not adopted environmental, economic and social sustainability governance reporting.

PRINCIPLE 5: REMUNERATION

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

Recommendation 5.1 Director remuneration

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

Director's remuneration for the accounting period ended 30 June 2022 is disclosed in the Shareholder and Statutory Information section of the Annual Report and in note 23 to the Financial Statements.

Recommendation 5.2 Remuneration policy for directors and officers

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

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

Remuneration of directors

Directors are entitled to remuneration from GSH for directors' fees, professional services provided and reasonable travel, accommodation, and other expenses incurred in the course of performing duties or exercising powers as directors. No Directors are entitled to any retirement benefits. Details of Director's remuneration are disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 23 to the Financial Statements.

Remuneration of GSH employees including officers

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

Total remuneration is made up of two components being: fixed remuneration and short-term performance-based cash remuneration. The Group is investigating the establishment of a long-term performance-based equity remuneration plan which would be put to the shareholders for approval if it were to be adopted.

Fixed Remuneration

Fixed remuneration consists of base salary.

Short-Term Incentive

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

Further information regarding employee remuneration is disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 23 to the Financial Statements.

Recommendation 5.3 CEO remuneration

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

Details of Geoff Tuttle's (CEO) remuneration arrangements during the accounting period ended 30 June 2022 are disclosed in the "Shareholder and Statutory Information" section of the Annual Report and in note 23 to the Financial Statements.

PRINCIPLE 6: RISK MANAGEMENT

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

Recommendation 6.1 Risk management framework

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

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

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

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

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

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

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

Recommendation 6.2 Health and safety risks

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

GSH has appointed an internal health and safety officer who receives appropriate training on an ongoing basis. GSH maintains an incident report and the Board receives reports on a monthly basis at the Board meeting.

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

PRINCIPLE 7: AUDITORS

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

Recommendation 7.1 Establish a framework

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

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

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

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

Recommendation 7.2 External auditor attend Annual Meeting

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

GSH's external auditors have attended the Annual Meeting, where they have been available to answer shareholders' questions about the audit. GSH expects the auditor to attend the Company's 2022 Annual Meeting.

Recommendation 7.3 Internal audit

Internal audit functions should be disclosed.

GSH does not have an internal audit function.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

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

Recommendation 8.1 Website

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

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

Recommendation 8.2 Investor communications

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

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

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

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

Recommendation 8.3 Shareholder right to vote

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

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

Recommendation 8.4 Seeking additional equity capital

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

No additional equity capital was raised from investors during the year ended 30 June 2022. The Board will take into account Recommendation 8.4 if seeking additional equity capital.

Recommendation 8.5 Notice of Annual Meeting

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

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

Compliance with NZX Corporate Governance Code

The Board considers that, during the period 1 July 2021 to 30 June 2022, the Company did not comply with certain recommendations of the NZX Corporate Governance Code dated 10 December 2020. Details of such non-compliance are provided below. Where applicable, the Board has approved the alternative governance practice:

Recommendation	Alternative Governance Practice and Reason for the Practice	Applicable Period
Recommendation 2.5: An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	GSH did not set measurable objectives for achieving diversity. This is because GSH is committed to creating and maintaining an inclusive and collaborative workplace culture by recognising the values of a diverse and skilled workforce. This commitment extends to all areas of its business. As the Group believes in diversity we will always employ the best person for any job opportunity.	At all relevant times.
Recommendation 4.3: Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.	GSH did not provide non-financial disclosure during the year ended 30 June 2022. Due to the size and nature of GSH and its business GSH does not report on environmental, economic and social sustainability factors and practices.	At all relevant times.

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

Directors' Responsibility Statement

The Board of Directors have pleasure in presenting the financial statements and audit report for Good Spirits Hospitality Limited for the year ended 30 June 2022.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Group as at 30 June 2022 and financial performance and cash flows for the year ended on that date.

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

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

The Board of Directors of the Group authorised these financial statements presented on pages 31 to 69 for issue on 30 September 2022. This Annual Report is dated 02 October 2022.

For and on behalf of the Board

Matt Adams

Chairman

Good Spirits Hospitality Limited

John Seton

Independent Director

Audit and Risk Management Committee Chairman

Financial Report

FOR THE YEAR ENDED
30 JUNE 2022

FINANCIAL STATEMENTS

Directors Approval of Consolidated Financial Statements

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 02 October 2022.

Approval by Directors

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

Matt Adams

Chairman

Good Spirits Hospitality Limited

John Seton

Independent Director

Audit and Risk Management Committee Chairman

For and on behalf of the Board of Directors

BDO Auckland

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GOOD SPIRITS HOSPITALITY LIMITED

Opinion

We have audited the consolidated financial statements of Good Spirits Hospitality Limited ("the Company") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out tax compliance services for the Group. The provision of these other services has not impaired our independence as auditor of the Group

Material Uncertainty Related to Going Concern

We draw attention to Note 1.3 to the consolidated financial statements which describes a range of possible transactions within the Group's amended bank facility agreement. These conditions present the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described on the following page to be key audit matters to be communicated in our report.

BDO Auckland

Recoverable Amount of Cash Generating Unit Assets

Key Audit Matter

The Group recognises $23.1m of goodwill, $6.8m of operating assets and $11.4m of right of use assets at 30 June 2022. These assets are subject to an impairment test in accordance with NZ IAS 36 - *Impairment of Assets*. For the purposes of this test, the assets are allocated to the individual bars as these are determined to be separate Cash Generating Units ('CGU's').

The test is performed by assessing the recoverable amount of each CGU against the carrying amount of the CGU. The recoverable amount is calculated using a value in use calculation. An impairment is recorded where the carrying amount of the CGU exceeds its recoverable amount. This impairment is initially against goodwill and where the CGU has no further goodwill, the impairment is against remaining operating and right of use assets.

The impairment test is subject to significant management judgement and estimation in the following areas:

- Assessment and determination of the expected cash flows from the CGUs including the impact of COVID-19.
- The continuity of leases associated with the CGUs.
- The basis of allocation of certain head-office operating costs to the separate CGUs.
- Selection of appropriate terminal growth rates.
- Selection of appropriate discount rates.

The above areas inherently include a degree of estimation uncertainty and are prone to potential bias or inconsistent application.

We have identified the valuation of CGUs a Key Audit matter due to:

- The complexity of the value in use calculation and the significant judgements and estimates around key inputs and assumptions.
- There were material impairments to CGUs in the prior year.
- Forecasts are subject to increased judgement because of disrupted trading due to COVID-19.

We refer readers of the financial statements to:

1. Note 5 which discloses the goodwill impairment in a CGU.
2. Note 13 which discloses the impairment of the right of use asset of a CGU.

How The Matter Was Addressed in Our Audit

We obtained Management's value in use calculations prepared for each CGU and evaluated the key inputs and assumptions. The key inputs included revenue growth, EBITDA growth, terminal growth rate, expected lease terms and continuity, discount rates, and the basis for allocating head office operating costs not recorded in the separate CGUs.

We assessed the reasonableness of the forecasts by reference to actual performance before, during and after the lock down periods. We compared management's revenue and EBITDA forecasts to government economic forecasts, to support the future forecasts.

We reviewed evidence to corroborate Management expectations surrounding lease continuity.

We have considered the sensitivity of key assumptions to the value in use calculations, including:

- Revenue growth.
- Terminal growth rate.
- Pre-tax discount rate.
- Lease strategy.
- The quantum of head office cost allocations to the separate CGUs.

We have engaged our internal valuation experts to review the mechanics of the value in use calculation against the valuation methodology, and to assess the appropriateness of the discount rate used.

We verified management's determination of the carrying amount for each CGU and compared this against the CGU's recoverable amount.

We have reviewed disclosures in the consolidated financial statements in respect of:

1. The impairment of goodwill in Note 5;
2. Right of use asset impairment in note 13.

BDO Auckland

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

This description forms part of our auditor's report.

Who we Report to

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

The engagement partner on the audit resulting in this independent auditor's report is Richard Croucher.

BDO Auckland

BDO Auckland
Auckland
New Zealand
2 October 2022


WIN THIS

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF profit and loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2022	Note	2022	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 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 loss for the year attributable to owners		**(6,601,639)**	**(5,837,665)**

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

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF financial position

AS AT 30 JUNE 2022

	Note	2022	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**

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF

changes in equity

FOR THE YEAR ENDED 30 JUNE 2022

	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		**35,179,408**	**(33,905,113)**	**1,274,295**
Profit for the year		-	(6,601,639)	(6,601,639)
Total comprehensive income for the year		-	**(6,601,639)**	**(6,601,639)**
Balance at 30 June 2022		**35,179,408**	**(40,506,752)**	**(5,327,344)**

GOOD SPIRITS HOSPITALITY LTD

CONSOLIDATED STATEMENT OF

cash flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	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 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**

Notes to the Financial Statements

FOR THE YEAR ENDED
30 JUNE 2022

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 for 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 directors also note that GSH has agreed to an extension of the Group's bank facilities and a variation to the facility agreement. The expiry date of the Facility Agreement is amended and extended from 31 December 2022 to 31 December 2023. The variation to the Facility Agreement includes certain milestones for a possible range of transactions (the 'Transaction') within a prescribed timeframe. The possible transactions include the subscription for new shares of GSH for cash, a merger between GSH and another operator, a sale of the GSH's assets (or a series of sales), a sale of GSH's subsidiaries or a takeover offer for GSH. The milestones include GSH and a transaction advisor issuing an information memorandum in relation to the transaction(s) by 30 November 2022 and non-binding indicative offers in respect of the transaction(s) being received by 28 February 2023, with a view to GSH selecting a preferred purchaser/equity investor/ operator by 30 April 2023.

Given the availability of funding for at least 12 months from date of these financial statements, and the Directors expectations regarding the Transaction, it is their considered view that the Group remains a going concern.

As the range of possible Transaction outcomes includes the sale or partial sale of the Group's assets, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern. 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 deconsolidated 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 and 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 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 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 CGU's that is expected to benefit from the synergies of the combination. Each CGU or group of CGU's 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 renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate 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 has elected to adopt the expedient. 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.

Revenue recognised by the Company include:	2022	2021
	$	$
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 emplyees

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 be 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 performed 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 readily 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 CGU's:

	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 CGU's 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 30.1

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 unusal items**	**Revenue**	**EBITDA**	**EBITDA before unusal 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 the financial statements	115,000	120,000
Other services		
Tax compliance services	25,000	25,000
	140,000	**145,000**

9. TAX EXPENSE

	Note	2022	2021
		$	$
The income tax expense consists of the following:			
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 e xpenses		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 charge / (benefit)	10	(383,811)	13,257
		(387,579)	**13,257**

10. TAX BALANCES

	Note	2022	2021
		$	$
Income tax payable / (receivable)			
Opening balance		(3,769)	(861)
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	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

	Note	Properties	Vehicles	2022	2021
				$	$
Right-of-use assets					
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**

		Properties	Vehicles	2022	2021
				$	$
Lease liabilities					
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 Assets

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)

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 & EQUIPMENT

	Note	Work In Progress (WIP)	Fixtures, 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 and 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**
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 and 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.

Operating subsidiary	Activity	2022 Interest	2021 Interest
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
Closing balance	**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 kiwi saver	50,566	32,343
	938,395	**765,530**

	2022	2021
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		2021	
		Shares	$	Shares	$
Balance at beginning of the year		57,734,458	35,179,408	54,065,690	34,904,250
Shares 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
	$	$
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
	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

The Group undertook transactions with the following related parties as detailed below:

- 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
	$	$
Short-term benefits, 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	
	Note	**2022**	**2021**	**2022**	**2021**
		$	**$**	**$**	**$**
Financial assets					
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 [1]		-	-	2,998,871	2,192,564
Financial guarantee liability	29	3,300	132,877	-	-
		3,300	**132,877**	**34,558,235**	**29,053,582**

[1] excluding GST and employee entitlements

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	**31,559,364**	-	32,067,065	-	**32,067,065**
Trade and other payables	**2,999,853**	2,531,335	-	468,518	**2,999,853**
Financial guarantee liability	**3,300**	3,300	-	-	**3,300**
	34,562,517	**2,534,635**	**32,067,065**	**468,518**	**35,070,218**
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
	$	$	$	$
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 drawn down	-	2,500,000	-	2,500,000
Principal paid on leases	-	-	(600,794)	(600,794)
Non-cashflows				
Non current portion reclassified as current	31,559,364	(31,559,364)	-	-
Interest paid on leases	-	-	(1,334,631)	(1,334,631)
Amortisation of gain on loan modification	-	314,310	-	314,310
Capitalised interest	-	1,144,387	-	1,144,387
Movement in exit fees	-	38,556	-	38,556
Rent concession	-	-	(235,214)	(235,214)
Interest expense	-	701,093	-	701,093
Lease adjustments	-	-	1,868,822	1,868,822
As at 30 June 2022	**31,559,364**	**-**	**13,709,049**	**45,268,413**

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents (for purposes of the statement of cash flows comprises:)	2022	2021
	$	$
Cash and cash equivalents		
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 update

Subsequent to year-end the Group and Pacific Dawn Limited (PDL), have agreed to an extension of the Group's banking facilities with PDL and a variation to the Facility Agreement. The expiry date of the Facility Agreement is amended and extended from 31 December 2022 to 31 December 2023. This extension agreement was subject to an application to the NZX to waive the requirement under Listing Rule 5.2.1 to obtain shareholder's approval. The NZX approved the waiver on 29 September 2022.

The variation to the Facility Agreement includes amongst other things certain milestones for a possible range of transactions within a prescribed timeframe. The possible transactions include the subscription for new shares of GSH for cash, a merger between GSH and another operator, a sale of the GSH's assets (or a series of sales), a sale of GSH's subsidiaries or a takeover offer for GSH. The milestones include GSH and the transaction advisor issuing an information memorandum in relation to the transaction(s) by 30 November 2022 and non-binding indicative offers in respect of the transaction(s) being received by 28 February 2023, with a view to GSH selecting a preferred purchaser/equity investor/operator by 30 April 2023. Net proceeds of any transaction are to be in prepayment of the loans under the Facility.

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.


GUINNESS

Shareholder and Statutory Information

QUOTATION OF SHARES

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

CHANGES TO NATURE OF BUSINESS

At the beginning of the accounting period, GSH's mandate was that of an investment company focusing on the hospitality sector. GSH's objective is to become the number one hospitality operator in New Zealand.

SIZE OF SHAREHOLDING AS AT 9 SEPTEMBER 2022

Spread of shareholding	Number of shareholders	Number of ordinary shares	% of total ordinary shares on issue
1 – 1,000	174	65,383	0.11
1,001 – 5,000	147	455,278	0.79
5,001 – 10,000	74	600,091	1.04
10,001 – 50,000	87	2,145,854	3.72
50,001 – 100,000	31	2,504,412	4.34
100,001 plus	44	51,963,440	90.00
Total		**57,734,458**	**100.00**

SUBSTANTIAL PRODUCT HOLDERS

The following shareholders have filed notices with the Company that they are Substantial Product Holders in the Company as at 30 June 2022 (there being a total of 57,734,458 shares on issue at that date).

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

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

DIRECTORS' SHARE HOLDINGS AS AT 30 JUNE 2022

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

Mr Christie was a Director of the Company during the financial year ended 30 June 2022, resigning effective from 3 September 2021. During that period Mr Christie had an interest in 8,070,226 shares in the company via Christie Whiting Vermunt Limited, of which he is a director and indirect shareholder.

TOP 20 SHAREHOLDERS

The following table shows the names and holdings of the top 20 shareholders of the Company as at 9 September 2022.

	Shareholder	Shares held	% of Total
1	Citibank Nominees (New Zealand) Limited ^	14,847,793	25.72
2	Christie Whiting Vermunt Limited	8,070,226	13.98
3	Collins Asset Management Limited	6,166,684	10.68
4	Robert Gerald Hampden Christie	4,545,455	7.87
5	New Zealand Depository Nominee	4,422,730	7.66
6	Geoffrey Eamon Tuttle & Carl David Sowter	2,385,714	4.13
7	Rosemary Joan Christie	1,373,636	2.38
8	Custodial Services Limited	1,370,590	2.37
9	Ambrosia Trustees Limited	750,000	1.30
10	Raghbir Singh	552,043	0.96
11	JBWERE (Nz) Nominees Limited	550,000	0.95
12	Awatea Investments Limited	400,000	0.69
13	Rahul Krishan Lal	394,868	0.68
14	Michael John Cooper	360,691	0.62
15	JBWERE (Nz) Nominees Limited	335,000	0.58
16	Laphroaig Trustee Company (Nz) Limited	334,739	0.58
17	KEN & Arlene Eaves Trustee Company Limited	329,079	0.57
18	Keith Norman Goodall & Pamela Joan Goodall & Trusts Limited	300,000	0.52
19	Richard George Anthony Kroon	272,629	0.47
20	Ross Karlsson	250,000	0.43

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

NZX WAIVERS AND EXERCISE OF POWERS

During the reporting period ended 30 June 2022, the following waiver was granted and published by NZX following an application by the Company.

On 8 October 2021 NZX regulator NZ RegCo (NZXR) granted GSH a waiver from NZX Listing Rule 5.1.1 (Rule 5.1.1), to the extent that the Rule prohibited GSH from entering into a significant lease transaction without shareholder approval.

GSH's wholly owned subsidiary, Good Spirits Hospitality No. 3 Limited, wished to enter a lease in the ordinary course of business. The annual lease amount for the term of the lease, and therefore the total value of commitments under the lease, would exceed 50% of the Average Market Capitalisation of the Company. Share price is a factor of Market Capitalisation and a low share price results in a low Average Market Capitalisation and, being less than 50% of the total value of commitments under the lease, a waiver was required in respect of Rule 5.1.1.

The waiver was granted on the condition that the Independent Directors of GSH certified to NZXR that the Proposed Transaction:

i) Does not significantly change, either directly or indirectly, the nature of the business of GSH and is in the ordinary course of its business;

ii) Is in the best interests of GSH and its shareholders; and

iii) Has been and will be negotiated on an arms' length basis.

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

DIRECTORS OF THE GROUP AS AT 30 JUNE 2022

The Directors of the Group as at 30 June 2022 were:

Group Company	Directors as at 30 June 2022
Good Spirits Hospitality Limited	• Matt Adams • Carl Carrington • John Seton
Good Spirits Hospitality No. 1 Limited	• Matt Adams • Carl Carrington
Good Spirits Hospitality No. 2 Limited	• Matt Adams • Carl Carrington
Good Spirits Hospitality No. 3 Limited	• Matt Adams • Carl Carrington
Old Butcher Limited	• Carl Carrington
MB Silverdale Limited	• Carl Carrington
KJV Holdings Limited	• Carl Carrington

[1] *John Seton was appointed as a Director on 6 September 2021.*

[2] *Andrew Christie resigned as a Director on 3 September 2021.*

DIRECTORS REMUNERATION AND OTHER BENEFITS

The table below sets out the total remuneration received by each Director and former Director from the Group for the accounting period ended 30 June 2022. See also note 23 to the Financial Statements for details of other benefits received by the Directors from the Company during that period.

	2022				2021
Name	Directors' Fees	Chairman's Fees	Committee Chair Fees	Total Directors' Fees	Total Directors' Fees
Matt Adams	$40,000	-	$10,000	$50,000	$50,000
Carl Carrington	$40,000	-	$10,000	$50,000	$50,000
Andrew Christie [1]	$ 6,667	-	-	$6,667	$21,863
Duncan Makeig [2]	-	$70,000	$10,000	$80,000	$80,000
John Seton [3]	$32,778	-	-	$32,778	-

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

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

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

The Directors' fees are set as follows:

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

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

INDEMNITY AND INSURANCE

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

CHIEF EXECUTIVE OFFICER'S REMUNERATION

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

Remuneration	2022	2021
Base salary	$350,000	$350,000
Short-term incentive (bonus) paid during the year	-	-
Long term incentive paid during the year	-	-
Total remuneration	$350,000	$350,000

See the commentary under the heading "Short-Term Incentive" on page 15 of the "Corporate Governance Statement" section of the Annual Report for further information regarding short term incentives.

EMPLOYEES' REMUNERATION

During the accounting period ended 30 June 2022, the number of employees, not being a Director of a member of the Group, who received remuneration and other benefits the value of which exceeded $100,000 was as follows:

	2022		2021	
Range $	No of Employees	No of former Employees	No of Employees	No of former Employees
100,000 - 149,999	4	-	4	2
150,000 - 199,999	2	-	1	-
200,000 - 299,999	1	-	1	-
300,000 - 350,999	1	-	1	-

AUDIT FEES

The amounts paid to BDO Auckland, as auditor of the Group and as a separate item for other services provided to the Group during the accounting period ended 30 June 2022 are set out in note 8 to the financial statements.

DONATIONS

No donations have been made by the Group for the accounting period ended 30 June 2022.

DISCLOSURE OF INTERESTS

Entries in the Interests Register made during the accounting period ended 30 June 2022 and disclosed pursuant to sections 211(e), 140(1) and 148(2)(b) of the Companies Act 1993 are as follows:

General disclosure of interests

- General disclosure of interests as at 9 September 2022 given by Directors of the Group pursuant to section 140(2) of the Companies Act 1993 (excluding Group companies) are below.

Group	Entity	Position
Matt Adams	Ceramic Fuel Cells Limited	Director, Company Secretary
	Dynamic Corporate Investments Pty Ltd	Director, Shareholder
	Investco 22 Pty Ltd	Director, Shareholder
	Jimojo Pty Ltd	Director
	K&M Superannuation Pty Ltd	Director, Shareholder
	Tomizone Australia Pty Ltd	Director
	Tomizone Limited	Director

Group	Entity	Position
Carl Carrington	Cawthron Institute	Director
	Hop Revolution Limited and subsidiaries	Director
	Maungawai Family Trust	Trustee / Beneficiary
	MB Silverdale Limited	Director
	McCashin's Brewery Limited	Director
	Minaret Investments Limited	Director / Shareholder
	Mt Cook Alpine Salmon	Director / Beneficial Shareholder
	New Zealand Trade and Enterprise	Director
	Peninsular Trust	Trustee
	PurePac Limited	Chairman
	Reefton Distilling Co	Director / Beneficial Shareholder
	Unique Manuka Factor Honey Association	Director / Independent Commissioner
	Old Butcher Limited	Director
	KJV Holdings Limited	Director

Group	Entity	Position
John Seton	Bau Mining Limited	Director
	Besra Gold Inc	Director
	Besra Labuan Limited	Director
	Besra NZ Limited	Director
	Blue Barn Consulting Limited	Director
	Cornwall Funding Limited	Director
	Falcon Ridge Trustees Limited	Director
	Green Energy Metals Limited	Director
	Incor Energy Materials Limited	Director
	Josh Emett Limited	Director
	Jura Trust Limited	Director
	Kariki Pharma Limited	Director
	Manhattan Corporation Limited	Director
	Manhattan NZ Limited	Director
	Manhattan Resources Pty Limited	Director
	North Borneo Gold Sdn Bhd	Director
	North Piha Water Supply Society Limited (incorporated under the Industrial & Provident Societies Act 1908)	Director
	Onslow Restaurant Limited	Director
	Penberthy Holdings Limited	Director
	Penberthy Insurance Limited	Director
	Ratab Limited	Director
	Resource Services International Limited	Director
	Te Mata Mushroom Holdings Limited	Director
	Te Mata Mushroom Land Company Limited	Director
	Te Mata Mushrooms Brookvale Road Limited	Director
	The Te Mata Mushroom Company Limited	Director
	Tomizone Limited	Director
	Trans-Tasman Resources Limited	Director
	TTR Global Limited	Director
	TTR Marine Limited	Director
	White Charger Limited	Director

Duncan Makeig retired as a director on 28 June 2022. Entries in the Company's interests register made during the accounting period ended 30 June 2022 disclosed by Duncan Makeig are set out below.

Group	Entity	Position
Duncan Makeig	Good Spirits Hospitality Limited	Chairman
	Good Spirits Hospitality No. 1 Limited	Director
	China Road Pty Ltd	CEO / Director
	Sydney Children's Hospitals Foundation Ltd	Chairman
	Makeig Management Pty Ltd	Director
	Makeig Superannuation Management Pty Ltd	Director
	Wirrabilla Pastoral Pty Ltd	Director
	The Curing Homesickness Foundation	Director
	Endeavour Group Limited	Director
	The Royal Hotel in Wyong, NSW	Co-owner

Andrew Christie was a director during the accounting period ended 30 June 2022 and retired as a director with effect from 6 September 2021. Entries in the Company's interests register made during the accounting period ended 30 June 2022 disclosed by Andrew Christie are set out below.

Group	Entity	Position
Andrew Christie	AK Christie Holdings Limited t/a AK Christie Corporate Finance	Director, Shareholder
	AK Christie Limited	Director
	Auckland Racing Club Inc.	Director
	Christie Whiting Vermunt Limited	Director and indirect shareholder
	Extrastaff Limited	Director, Shareholder
	Hurlingham Partners Limited	Director, Shareholder
	Index Group Limited	Shareholder
	Infrawork Holdings Limited	Director, Shareholder
	LJMP Limited	Indirect shareholder
	Small Business Accounting NZ Limited t/a SBA	Shareholder
	VisaHub Services Limited	Shadow director

Directors and Officers Insurance

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

Share Dealings

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

Corporate Directory

Nature of Business
Listed Investment Company

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

Chief Executive Officer
Geoff Tuttle

Chief Financial Officer
Anthony Laus

Registered Office
Ground Floor, Building B
95 Ascot Avenue
Greenlane
Auckland 1051
PO Box 17403, Auckland 1546

Share Registrar
Link Market Services Limited
Level 7, Zurich House
21 Queen Street, Auckland

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

Investor Enquiries
Corporate@gsh.co.nz

Bankers
Pacific Dawn Limited
Bank of New Zealand

Website
www.goodspiritshospitality.co.nz

**Good People, Good Times,
Good Spirits.**


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