Good Spirits Hospitality Limited

Financial Statements

For the year ended 30 June 2023

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Directors Approval of Consolidated Financial Statements for the year ended 30 June 2023

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 28 August 2023.

Approval by Directors

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

Matt Adams
Chairman

John Seton
Chair Audit & Risk Committee

28 August 2023

For and on behalf of the Board of Directors

		Unaudited	Audited
		2023	2022
Results from operations to be discontinued	Note	$	$
Revenue	7	28,519,579	17,693,106
Government grants	2.20	-	1,854,055
Other income		54,597	5,284
Interest income		8,663	3,240
Changes in inventories of finished goods		(6,182,041)	(4,067,022)
Employee benefits expense (Wage & salaries)		(9,643,381)	(8,396,353)
Employee benefits expense (Kiwi saver contributions)		(144,193)	(144,193)
Depreciation expense	16	(916,019)	(961,138)
Depreciation of right-of-use assets	15	(1,451,033)	(1,375,587)
Interest expense – financial liabilities at amortised cost		(3,240,822)	(3,419,991)
Bank Fees		(21,323)	(14,356)
Interest on leases	15	(1,300,297)	(1,334,631)
Other expenses	9	(6,205,474)	(4,748,745)
Restructuring and advisory costs		-	(122,381)
Due diligence		-	(1,504,176)
Sale transaction costs		(1,157,720)	-
Rent concessions		-	235,214
Gain on lease modifications		-	326,510
Financial guarantee liability gain / (expense)	31	(2,870)	93,064
Property, plant & equipment impairment	16	(24,509)	-
Right-of-use assets impairment	15.1	(700,837)	(489,219)
Goodwill impairment	5	(10,382,071)	(621,899)
Operating loss before income tax		**(12,789,751)**	**(6,989,218)**
Income tax (expense) / benefit	10	(1,046,283)	387,579
Loss for the year attributable to owners		**(13,836,034)**	**(6,601,639)**
Total comprehensive losses for the year attributable to owners		**(13,836,034)**	**(6,601,639)**

		2023	2022
Earnings per share / losses from operations attributable to equity holders of the Parent Company during the period:	Note	$	$
		cents	cents
Basic EPS from operations	23	(23.96)	(11.43)
Diluted EPS from loss for the period	23	(23.96)	(11.43)

	Note	Unaudited 2023 $	Audited 2022 $
ASSETS			
Cash and cash equivalents	30	341,035	832,739
Restricted cash	30	75,000	416,649
Trade and other receivables	12	316,859	221,495
Prepayments	13	100,036	302,345
Inventories	14	-	509,479
Current tax asset	11	1,379	8,998
Assets in disposal groups held for sale	32	30,472,437	-
Property, plant and equipment	16	-	6,784,285
Right-of-use assets	15	-	11,440,245
Intangible assets	5	-	23,120,889
Deferred tax asset	11	357,250	1,403,260
TOTAL ASSETS		**31,663,996**	**45,040,384**
LIABILITIES			
Trade and other payables	18	2,578,412	2,999,853
Employee Entitlements	20	-	938,395
GST Payable		272,207	557,767
Lease liabilities	15	-	13,709,049
Financial guarantee liability	31	-	3,300
Liabilities in disposal groups held for sale	32	14,741,505	-
Provisions for make-good obligations	19	100,000	600,000
Borrowings	21	33,135,250	31,559,364
TOTAL LIABILITIES		**50,827,374**	**50,367,728**
NET LIABILITIES		**(19,163,378)**	**(5,327,344)**
EQUITY			
Share Capital	22.1	35,179,408	35,179,408
Accumulated Losses		(54,342,786)	(40,506,752)
TOTAL EQUITY		**(19,163,378)**	**(5,327,344)**

	Share Capital	Accumulated Losses	Total Equity
	$	$	$
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 loss for the year	**-**	**(6,601,639)**	**(6,601,639)**
Balance at 30 June 2022 (audited)	**35,179,408**	**(40,506,752)**	**(5,327,344)**
Profit for the period	-	(13,836,034)	(13,836,034)
Total comprehensive loss for the period	**-**	**(13,836,034)**	**(13,836,034)**
Balance at 30 June 2023 (unaudited)	**35,179,408**	**(54,342,786)**	**(19,163,378)**

		Unaudited	Audited
		2023	2022
Cash flows from operations to be discontinued	Note	$	$
Receipts from customers		28,375,811	17,718,512
Government grants	2.20	-	1,854,055
Other Income		27,097	5,284
Interest received		8,663	3,240
Payments to suppliers and employees		(22,878,291)	(16,097,042)
Interest expenses		(1,874,936)	(1,221,645)
Bank fees		(21,323)	(14,356)
Cash flows from operations prior to unusual items		**3,637,021**	**2,248,048**
Cash outflows from restructuring and advisory costs		-	(122,381)
Cash outflows from due diligence		-	(1,504,176)
Cash outflows from sale transaction		(1,157,720)	-
Financial guarantee liability	31	(2,870)	-
Net cash inflows from operating activities	29.1	**2,476,431**	**621,491**
Purchase of property, plant and equipment		(844,700)	(2,794,764)
Purchase of business assets	6	(246,926)	-
Net cash outflows from investing activities		**(1,091,626)**	**(2,794,764)**
Other borrowings drawn down	21	300,000	-
Repayment of borrowings		(62,500)	-
Interest paid on lease liabilities		(1,300,297)	(1,334,631)
Principal paid on lease liabilities		(813,712)	(600,794)
Bank borrowings drawn down		-	2,500,000
Net cash inflows / (outflows) from financing activities		**(1,876,509)**	**564,575**
Net decrease in cash and cash equivalents		(491,704)	(1,608,698)
Cash and cash equivalents at beginning of the year		832,739	2,441,437
Cash and cash equivalents at end of the year	30	**341,035**	**832,739**

1 GENERAL INFORMATION

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

1.1 Entities reporting

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

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

1.2 Statutory base

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

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

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

1.3 Going concern

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

As noted in note 1.3 above, from the date of completion of the sale the Group is not considered to be a going concern and accordingly these consolidated financial statements are prepared on a liquidation basis.

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

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

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

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

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

2.2 Principles of consolidation

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

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

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

2.3 Segment reporting

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

2.4 Functional and presentation currency

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

2.5 Revenue recognition

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

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

2.6 Interest bearing liabilities

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

2.7 Cash and cash equivalents

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

2.8 Trade and other receivables

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

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

2.9 Inventories

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

2.10 Goods and service tax

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

2.11 Income tax

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

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

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

(a) Deferred taxation

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

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

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

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

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

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

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

2.12 Property, plant and equipment

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

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

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

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

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

2.13 Goodwill

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

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

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

2.14 Impairment of tangible and intangible assets other than goodwill

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

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

- In assessing value in use of the Group’s CGUs in 2022, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and value of money and the risks specific to the asset for which the estimates of future cash have not been adjusted.

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

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

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

2.15 Trade and other payables

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

2.16 Employee entitlements

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

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

2.17 Leases

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

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

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

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

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

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

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

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

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

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the

payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.
When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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

2.18 Contributed equity

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

2.19 Earnings per share

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

2.20 Government grants

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

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

2.21 Unusual items

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

2.22 Financial guarantee contract

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

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

2.23 Provisions

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

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

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

2.24 Disposal groups held for sale and discontinued operations

2.24.1 Non-current assets and disposal groups held for sale

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

They are available for immediate sale;

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

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

2.24.2 Discontinued operations

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

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

3.1 Going concern

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

3.2 Carrying value of goodwill

Impairment tests are performed by the Group to assess the carrying value of goodwill. These tests include making assumptions based on facts and circumstances present at the date of testing 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, as well as the expected value of sale proceeds where the recoverable amount is determined based on fair value less cost to sell. 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.

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

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 Interest bearing liabilities

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

3.5 Provision for lease obligations

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

3.6 Financial guarantee liability

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

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATION

4.1 Standards, amendments and interpretations

4.1.1 New standards, interpretations and amendments

There were no new standards applied during the period.

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

5 INTANGIBLE ASSETS

Goodwill	Note	2023 $	2022 $
Opening balance net book value		23,120,889	23,742,788
Goodwill on acquistion	6	141,763	-
Impairment of goodwill		(10,382,071)	(621,899)
Transferred to assets in disposal groups held for sale	32	(12,880,581)	-
Closing net book value		-	**23,120,889**

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

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

The carrying values at 30 June 2023 relate to the remaining goodwill up until the estimated date of sale. As a direct result of the sale of the business, the Directors resolved to impair goodwill of $10,382,071 across the following venues.

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

	2023 $	2022 $
Danny Doolan's	4,320,722	-
O'Hagan's	310,950	621,899
The Cav	2,741,078	-
Doolan Brothers Ellerslie	1,391,088	-
Citizen Park	1,618,233	-
	10,382,071	**621,899**

Goodwill has been allocated to the following CGU's:	2023	2022
	$	$
Danny Doolan's	7,076,542	11,397,264
O'Hagan's	-	310,950
The Cav	1,168,982	3,910,060
Botany Commons	280,099	280,099
Doolan Brothers Ellerslie	1,843,082	3,234,170
Citizen Park	548,039	2,166,272
Union Post	1,415,911	1,415,911
C&B Hamilton	406,163	406,163
The Cellar Bar	141,763	-
	12,880,581	**23,120,889**

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

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

6 ACQUISTIONS

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

Details of the assets acquired and goodwill are as follows:

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

7 REVENUE

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

8 SEGMENT REPORTING

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

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

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

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

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

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

8.3 Geographical

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

8.4 Information about major customers

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

8.5 Capital expenditure (including software)

	Note	2023 $	2022 $
GSH No.1 Ltd		844,700	2,794,764
GSH No.3 Ltd		95,500	-
	16	**940,200**	**2,794,764**

8.6 Corporate

Corporate includes the activities of the Parent Company.

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

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

	2023			2022		
	Revenue	EBITDA	EBITDA before unusual items	Revenue	EBITDA	EBITDA before unusual items
	$	$	$	$	$	$
GSH No.1 Ltd	28,077,152	(4,232,929)	5,921,069	17,698,390	2,778,363	1,299,268
GSH No.3 Ltd	497,024	102,741	102,741	-	-	-
Corporate	-	(1,738,732)	(1,738,732)	-	(2,665,118)	(1,038,561)
Group	**28,574,176**	**(5,868,920)**	**4,285,078**	**17,698,390**	**113,245**	**260,707**
Unusual items						
Restructuring and advisory costs		-	-		-	(122,381)
Due diligence		-	-		-	(1,504,176)
Sale transaction costs		-	(1,157,720)		-	-
Depreciation of right-of-use assets		(1,451,033)	(1,451,033)		(1,375,587)	(1,375,587)
Interest on leases		(1,300,297)	(1,300,297)		(1,334,631)	(1,334,631)
IFRS 16 adjustments		-	2,114,009		-	1,935,425
Rent concessions		-	-		-	235,214
Gain on lease modifications		-	-		-	326,510
Financial guarantee liability (note 31)		-	(2,870)		-	93,064
Property, plant & equipment impairment		-	(24,509)		-	-
Right-of-use assets impairment		-	(700,837)		-	(489,219)
Goodwill impairment		-	(10,382,071)		-	(621,899)
Depreciation and amortisation		(916,019)	(916,019)		(961,138)	(961,138)
Finance expense (net of income)		(3,253,482)	(3,253,482)		(3,431,107)	(3,431,107)
Profit / (loss) before income tax		**(12,789,751)**	**(12,789,751)**		**(6,989,218)**	**(6,989,218)**

Statement of Financial Position	2023	2023	2022	2022
	$	$	$	$
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
GSH No.1 Ltd	31,133,373	50,178,575	44,670,816	49,796,232
GSH No.3 Ltd	278,731	234,360	-	-
Corporate	251,892	414,439	369,568	571,496
Group	**31,663,996**	**50,827,374**	**45,040,384**	**50,367,728**

9 OTHER EXPENSES

	2023	2022
Other expenses include:	$	$
Advertising and marketing costs	1,092,719	786,197
Computer & POS - Subscriptions	220,371	164,400
Entertainment	189,876	119,552
Insurance	195,228	191,778
Professional and other advisory costs	425,916	324,780
Property expenses	2,310,721	1,767,867
Repairs and maintenance	506,642	244,560
Travel expenses	82,787	74,889
Other	1,181,214	1,074,722
	6,205,474	**4,748,745**

	2023	2022
Remuneration to auditors:	$	$
Audit Services		
Audit of financial statements	176,000	115,000

10 TAX EXPENSE

	2023	2022
The income tax expense consists of the following:	$	$
Loss before income tax from continuing operations	(12,789,751)	(6,989,218)
Income tax calculated at 28% (2022: 28%)	(3,581,130)	(1,956,981)
Non-deductible expenses	3,237,468	1,149,180
Tax in respect of prior years	27,640	(2,753)
Current year tax losses not recognised/(utilised)	117,303	942,111
Prior year tax losses not recognised	234,840	-
Non-recognition of deferred tax on leases	1,010,162	-
Non-assessable income	-	(519,136)
Tax expense / (benefit)	**1,046,283**	**(387,579)**
Current tax expense	273	(3,768)
Deferred tax expense / (benefit)	1,046,010	(383,811)
	1,046,283	**(387,579)**

11 TAX BALANCES

	2023 $	2022 $
Income tax payable / (receivable)		
Opening balance	(8,998)	(3,769)
Tax expense	273	-
Tax in respect of prior years	-	(3,767)
Cash tax (paid)	7,346	(1,462)
Balance at 30 June	**(1,379)**	**(8,998)**
Deferred tax asset		
Opening balance	1,403,260	1,019,449
Tax benefit / (expense)	(783,803)	384,825
Tax in respect of prior years	(27,367)	(1,014)
Prior year tax losses not recognised	(234,840)	-
Balance at 30 June	**357,250**	**1,403,260**
The deferred tax asset consists of:		
Accrual for annual leave	213,404	236,726
Leases	-	635,265
Tax losses	-	234,840
Property, plant and equipment	6,863	130,092
Other provisions	136,983	166,337
	357,250	**1,403,260**

12 TRADE AND OTHER RECEIVABLES

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

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

Included in Trade receivables is un-cleared cash from eftpos receipts of $181,517.

13 PREPAYMENTS

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

14 INVENTORIES

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

15 LEASES

Right-of-use assets	Note	Properties $	Vehicles $	2023 Total $	2022 Total $
Opening balance		11,439,316	929	11,440,245	12,444,350
Additions for the period		18,902	-	18,902	1,677,445
Lease remeasurement				-	220,495
Modification adjustment		660,274	-	660,274	(1,037,239)
Right-of-use assets impairment	15.1	(700,837)	-	(700,837)	(489,219)
Depreciation		(1,450,104)	(929)	(1,451,033)	(1,375,587)
Transferred to assets in disposal groups held for sale	32	(9,967,551)	-	(9,967,551)	-
Balance		-	-	-	**11,440,245**

Lease liabilities	Note	Properties $	Vehicles $	2023 Total $	2022 Total $
Opening balance		13,706,102	2,947	13,709,049	14,010,866
Additions for the period		19,662	-	19,662	1,677,445
Lease remeasurement		-	-	-	220,495
Modification adjustment		660,274	-	660,274	(1,363,749)
Rent concession		-	-	-	(235,214)
Interest for the period		1,299,702	595	1,300,297	1,334,631
Lease payments		(2,110,467)	(3,542)	(2,114,009)	(1,935,425)
Transferred to liabilities in disposal groups held for sale	32	(13,575,273)	-	(13,575,273)	-
Balance		-	-	-	**13,709,049**

15.1 Impairment of Right-of-Use Asset

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

In light of the Group's strategic decision not to re-open DB Newmarket from post COVID labour availability issues and the sale transaction process, the recoverable amount was determined to be zero. Therefore, the directors resolved to impair ($700,837) being the remaining value against the right-of-use asset at DB Newmarket in FY2023.

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

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

As at 30 June 2023	Up to 3 months $	Between 3 & 12 months $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 Years $	Total $
Lease liabilities	564,783	1,690,076	2,256,747	5,668,949	12,279,388	**22,459,943**

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

Nature of leasing activities (in the capacity as lessee)

The Group leases 10 properties in New Zealand. In New Zealand it is customary for lease contracts to provide payments to increase each year by inflation and in others to be reset periodically to market rental rates. The Group also leases motor vehicles. As standard industry practice, the Group's property lease are subject to market rent reviews. A 2.5% increase in these payments would result in an additional $52,850 outflow compared to the current period's cash outflow.

16 PROPERTY, PLANT AND EQUIPMENT

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

17 SUBSIDIARIES

The following subsidiaries operate wholly in New Zealand.

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

18 TRADE AND OTHER PAYABLES

	2023	2022
	$	$
Trade payables	2,487,118	2,521,092
Accrued expenses	296,472	478,761
Transferred to liabilities in disposal groups held for sale	(42,902)	-
Closing balance	**2,578,412**	**2,999,853**

19 PROVISION FOR MAKE GOOD OBLIGATIONS

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

20 EMPLOYEE ENTITLEMENTS

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

21 BORROWINGS - SECURED

	Note	2023	2022
		$	$
Pacific Dawn Limited			
Bank drawn down	26.3.1	31,749,633	31,749,633
Capitalised interest accumulated		3,844,850	2,232,439
Bank repayments accumulated		(2,500,000)	(2,500,000)
Amount owed to Pacific Dawn before exit fee	25.2	**33,094,483**	**31,482,072**
Exit fee payable		-	584,993
Total amount owed to Pacific Dawn		**33,094,483**	**32,067,065**
Loan modification adjustment		(79,484)	(238,452)
Capitalised financing cost against borrowings		(89,750)	(269,249)
Closing balance	26.3	**32,925,250**	**31,559,364**
Other borrowings			
Drawn down		300,000	-
Chattel support revalued		(27,500)	-
Repayments accumulated		(62,500)	-
Closing balance		**210,000**	**-**
Total Borrowings		**33,135,250**	**31,559,364**

21.1 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.
In order to assist in the funding of the transaction costs for that sales process, GSH's lender agreed for all the interest due and payable for the March 2023 quarter and the interest in excess of $250,000 that will be due and payable in respect of the June 2023 quarter to be capitalised to the outstanding loan.

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

22 SHARE CAPITAL AND SHARE CAPITAL RESERVE

22.1 Issued and paid-up capital - ordinary shares

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

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

23 EARNINGS PER SHARE (EPS)

	2023	2022
	$	$
Profit / (loss) for the year from continuing operations	(13,836,034)	(6,601,639)
Issued Ordinary Shares	57,734,458	57,734,458
Weighted average number of shares	57,734,458	57,734,458
Diluted Ordinary Shares	57,734,458	57,734,458
There are no dilutive instruments on issue.		
	cents	cents
Basic EPS	(23.96)	(11.43)
Diluted EPS	(23.96)	(11.43)

24 DIVIDEND PAID OR AUTHORISED

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

25 RELATED PARTIES

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

25.1 Transactions with Key Management

- During the year Mr Tuttle, CEO of GSH, purchased $1,844 of food and beverage from the company.
- During the year an Independent Committee of the Board was established in respect of the proposed sale transaction pursuant to the 30 September 2022 amendment to the Pacific Dawn Limited Facility Agreement. Messrs Seton and Carrington entered into Director Agreements for Services in respect of providing advisory and management services to Group in respect of the Independent Committee. Pursuant to their respective agreements Mr Seton was paid $82,300 and Mr Carrington paid $16,387 during the period. As at reporting date, $2,000 was owing to Mr Carrington.

- During the previous financial year, strategic, financing and investment banking services relating to the Nourish transaction (in addition to director responsibilities) were provided to the Group by Dynamic Corporate Investments, an entity controlled by Matt Adams, a director and current Chairman of GSH. Fees paid by the Group for these services during, and in respect of, the previous financial year totalled $329,083 and with nothing owed or due at reporting date.
- During the previous financial year, strategic, financing and business advisory services (in addition to director responsibilities) were provided to the Group by Duncan Makeig, who was a director and the Chairman of GSH at the time. Fees paid by the Group for these services during, and in respect of, the previous financial year totalled $80,262 and with nothing owed or due at reporting date.

- Brew on Quay Limited (BOQL) - Geoff Tuttle is a joint owner with another party of 4.13% of the shares in GSH and is the CEO of GSH. Geoff Tuttle is a director and shareholder of BOQL, which operates the hospitality businesses Brew on Quay and Charlie Farley's. During the previous period GSH provided kitchen services to these businesses. Amounts received by GSH from BOQL in relation to kitchen services in the period totalled $nil (2022: $4,594).

Broken down by service the amounts are as follows:

Service	2023	2022
	$	$
Kitchen Services	-	4,594

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

25.2 Trading Activities with Related Parties

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

25.3 Compensation of Key Management Personnel

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

	2023	2022
	$	$
Consisting of salaries	569,350	552,464

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

The remuneration of Directors during the year was as follows:

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

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

26 FINANCIAL INSTRUMENTS

26.1 Capital management

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

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

26.2 Capital risk management

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

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

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

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

26.3 Financial risk management

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

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

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

The Group hold the following financial instruments:

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

Financial instruments not measured at fair value

- Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

- Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

26.3.1 *Market risk*

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

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

26.3.2 *Credit risk*

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

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

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

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

26.3.3 *Liquidity risk*

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

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

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

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

The following table details the Group's remaining undiscounted contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, including loans repayable on demand. The tables include 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 2023					
Interest bearing liabilities	32,925,250	-	33,094,484	-	33,094,484
Trade and other payables	2,578,412	2,578,142	-	-	2,578,412
	35,503,662	2,578,412	33,094,484	-	35,672,896
As 30 June 2022					
Interest bearing liabilities	31,559,364	-	32,067,065	-	32,067,065
Trade and other payables	2,999,853	2,531,335	-	468,518	2,999,853
Financial guarantee liability	3,300	3,300	-	-	3,300
	34,562,517	2,534,635	32,067,065	468,518	35,070,218

26.4 Fair Value Estimation

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

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

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

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

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

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

26.6 Gaming Machines

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

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

27 COMMITMENTS

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

28 CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2023 (2022: $nil).

29 NOTES SUPPORTING STATEMENTS OF CASH FLOWS

29.1 Reconciliation to operating activities in the cashflow

	Unaudited 2023 $	Audited 2022 $
Loss for the year	**(13,836,034)**	**(6,601,639)**
Adjusted for:		
Depreciation and amortisation	916,019	961,138
Depreciation of right-of-use assets	1,451,033	1,375,587
Interest on leases	1,300,297	1,334,631
Financial guarantee liability		(131,038)
Exit fee movement	(584,993)	38,556
Goodwill impairment	10,382,071	621,899
Disposal of property, plant and equipment	96,310	121,456
Rent concessions	-	(235,214)
Gain on lease modifications	-	(326,510)
Non-cash interest charges	1,950,879	1,144,387
Loan modification adjustment	-	1,015,403
Property, plant & equipment impairment	24,509	-
Right-of-use assets impairment	700,837	489,219
Deferred tax	1,054,390	(387,579)
Non cash income	(27,500)	-
Changes in assets and liabilities		
Decrease / (increase) in receivables and prepayments	448,594	(18,115)
Decrease / (increase) in assets held for sale	229,574	-
Decrease / (increase) in inventories	519,142	(54,412)
Increase / (decrease) in trade payables and accruals	(2,148,696)	1,273,722
Net cash inflows from operating activities	**2,476,431**	**621,491**

30 CASH AND CASH EQUIVALENTS

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

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

31 FINANCIAL GUARANTEE LIABILITY

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

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

32 DISPOSAL GROUPS HELD FOR SALE

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

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

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

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

	Note	Net book value transferred to disposal group $	Fair value loss $	Other subsequent movements $	30-Jun-23 $
Assets in disposal groups held for sale:					
Cash and cash equivalents		52,420	-		52,420
Restricted cash		337,633			337,633
Prepayments		138,032			138,032
Inventories		408,573			408,573
Property, plant and equipment	16	6,687,647			6,687,647
Right-of-use assets	15	9,967,551			9,967,551
Intangible assets		12,880,581			12,880,581
Total assets in disposal groups held for sale		**30,472,437**	**-**	**-**	**30,472,437**
Liabilities in disposal groups held for sale:					
Trade and other payables		42,902			42,902
Employee Entitlements	20	723,330			723,330
Lease liabilities	15	13,575,273			13,575,273
Provisions for make-good obligations		400,000			400,000
Total liabilities in disposal groups held for sale		**14,741,505**	**-**	**-**	**14,741,505**
Total net assets in disposal groups held for sale		**15,730,932**	**-**	**-**	**15,730,932**

33 EVENTS AFTER REPORTING DATE

33.1 Sale of business

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

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