

Good Spirits Hospitality Limited



Interim Financial Statements for the six months ended
31 December 2021

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Directors Approval of Consolidated Financial Statements for the six months ended 31 December 2021.

Authorisation for Issue

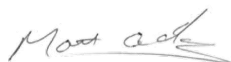
The Board of Directors authorised the issue of these Consolidated Financial Statements on 25 February 2022.

Approval by Directors

The Directors are pleased to present the Consolidated Financial Statements for Good Spirits Hospitality Limited for the six months ended 31 December 2021.



Duncan Makeig
Chairman



Matt Adams
Chair Audit & Risk Committee

25 February 2022.

For and on behalf of the Board of Directors

	Note	6 months to 31-Dec-21 UNAUDITED \$	6 months to 31-Dec-20 UNAUDITED \$	12 months to 30-Jun-21 AUDITED \$
Revenue	4	6,199,058	11,507,970	23,315,719
Government grants	4	1,733,545	661,999	942,820
Other Income		4,594	54,123	160,254
Interest income		1,240	1,483	3,226
Changes in inventories of finished goods		(1,074,459)	(2,472,609)	(5,153,464)
Employee benefits expense (Wage & salaries)		(3,877,188)	(4,017,791)	(8,152,849)
Employee benefits expense (Kiwi saver contributions)		(63,699)	(63,222)	(130,732)
Depreciation expense		(421,675)	(378,974)	(824,100)
Depreciation of right-of-use assets		(679,793)	(676,937)	(1,359,122)
Interest expense – financial liabilities at amortised cost		(1,383,845)	(1,620,677)	(2,675,983)
Bank Fees		(6,267)	(7,681)	(15,702)
Interest on leases		(628,744)	(596,484)	(1,232,128)
Other expenses		(2,186,667)	(2,520,378)	(5,213,985)
Significant items:				
Restructuring and advisory costs		(122,381)	(17,760)	(164,595)
Due Diligence related to Nourish Acquisition	6	(1,164,819)	-	-
Modification of loan		-	-	552,762
Financial guarantee liability benefit / (expense)		20,773	-	(241,011)
Right-of-use assets impairment		-	-	(485,197)
Goodwill impairment	7	-	-	(5,150,321)
Operating profit / (loss) before income tax		(3,650,327)	(146,938)	(5,824,408)
Income tax (expense) / benefit		700,338	25,784	(13,257)
Profit / (loss) for the period		(2,949,989)	(121,154)	(5,837,665)
Earnings per share / losses from continuing operations attributable to equity holders of the Parent Company during the period:				
Basic EPS from loss for the period		(5.19)	(0.22)	(10.27)
Diluted EPS from loss for the period		(5.19)	(0.22)	(10.27)

		As at 31-Dec-21 UNAUDITED \$	As at 31-Dec-20 UNAUDITED \$	As at 30-Jun-21 AUDITED \$
ASSETS				
Cash and cash equivalents	3	1,652,291	3,100,065	2,578,837
Restricted cash	3	266,249	266,249	266,249
Trade and other receivables		124,289	155,688	254,401
Prepayments		166,380	160,972	264,324
Inventories		470,392	426,126	455,067
Current tax asset		4,012	104	3,769
Total current assets		2,683,613	4,109,204	3,822,647
Property, plant and equipment		7,233,145	5,033,060	5,072,115
Right-of-use assets		13,580,995	12,807,937	12,444,350
Deferred tax asset		1,719,896	1,058,490	1,019,449
Intangible assets		23,742,788	28,893,109	23,742,788
Total non-current assets		46,276,824	47,792,596	42,278,702
TOTAL ASSETS		48,960,437	51,901,800	46,101,349
LIABILITIES				
Trade and other payables		3,158,802	2,318,029	2,192,564
Employee Entitlements		376,414	326,799	388,230
GST Payable		377,803	606,076	264,199
Lease liabilities		734,574	1,944,971	930,735
Financial guarantee liability		70,586	-	110,120
Borrowings - current		-	1,190,927	-
Total current liabilities		4,718,179	6,386,802	3,885,848
Provisions for make-good obligations		600,000	600,000	600,000
Employee entitlements		455,126	395,137	377,300
Lease liabilities		14,630,406	11,736,255	13,080,131
Financial guarantee liability		19,789	-	22,757
Borrowings - non-current		30,212,631	25,785,463	26,861,018
Total non-current liabilities		45,917,952	38,516,855	40,941,206
TOTAL LIABILITIES		50,636,131	44,903,657	44,827,054
NET ASSETS		(1,675,694)	6,998,143	1,274,295
EQUITY				
Share Capital		35,179,408	35,186,745	35,179,408
Retained Losses		(36,855,102)	(28,188,602)	(33,905,113)
TOTAL EQUITY		(1,675,694)	6,998,143	1,274,295

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

	SHARE CAPITAL	SHARE CAPITAL RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$	\$
Balance at 1 July 2021	35,179,408	-	(33,905,113)	1,274,295
Profit for the period	-	-	(2,949,989)	(2,949,989)
Total comprehensive income for the period	-	-	(2,949,989)	(2,949,989)
Balance at 31 December 2021 - Unaudited	35,179,408	-	(36,855,102)	(1,675,694)
Balance at 1 July 2020	34,904,250	-	(28,067,448)	6,836,802
Profit for the period	-	-	(121,154)	(121,154)
Total comprehensive income for the period	-	-	(121,154)	(121,154)
Transactions with owners				
Issue of shares for refinancing	282,495	-	-	282,495
Total contributions by / (distributions to) owners	282,495	-	-	282,495
Balance at 31 December 2020 - Unaudited	35,186,745	-	(28,188,602)	6,998,143
Balance at 1 July 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				
Issue of shares for refinancing	275,158	-	-	275,158
Total contributions by / (distributions to) owners	275,158	-	-	275,158
Balance at 30 June 2021 - Audited	35,179,408	-	(33,905,113)	1,274,295

	Note	6 months to 31-Dec-21 UNAUDITED \$	6 months to 31-Dec-20 UNAUDITED \$	12 months to 30-Jun-21 AUDITED \$
Receipts from customers		6,329,170	11,471,132	23,180,168
Government grants		1,733,545	673,304	942,820
Other Income		4,594	42,818	160,254
Interest received		1,240	1,483	3,226
Payments to suppliers and employees		(6,762,088)	(9,307,538)	(19,279,501)
Interest expenses		(527,552)	(1,247,997)	(2,072,423)
Bank fees		(6,267)	(7,681)	(15,702)
Cash flows from operations prior to significant items		772,642	1,625,521	2,918,842
Cash outflows from restructuring and advisory costs		(122,381)	(17,760)	(164,595)
Due Diligence related to Nourish Acquisition		(741,262)	-	-
Financial guarantee liability		(21,729)	-	(108,135)
Net cash inflows/(outflows) from operating activities	8	(112,730)	1,607,761	2,646,112
Purchase of property, plant and equipment		(2,582,705)	(244,735)	(731,151)
Net cash inflows/(outflows) from investing activities		(2,582,705)	(244,735)	(731,151)
Cash outflows from refinancing costs		-	(110,945)	(156,071)
Interest paid on lease liabilities		(628,744)	(596,484)	(1,232,128)
Principal paid on lease liabilities		(102,367)	(352,115)	(744,508)
Bank borrowings drawn		2,500,000	-	-
Net cash inflows/(outflows) from financing activities		1,768,889	(1,059,544)	(2,132,707)
Net increase/(decrease) in cash and cash equivalents		(926,546)	303,482	(217,746)
Cash and cash equivalents at beginning of period		2,578,837	2,796,583	2,796,583
Cash and cash equivalents at end of period		1,652,291	3,100,065	2,578,837

1. GENERAL INFORMATION

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

Entities reporting

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

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

Statutory base & Reporting Framework

The Group is registered in New Zealand under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013 under which the interim financial statements are prepared. The Company is a for-profit entity. The condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They comply with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2021 annual report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The treatment of the accounting policies and method of computation applied are consistent with those of the annual financial statements for the year ended 30 June 2021, as described in the annual financial statements. There have been no changes made to accounting policies unless otherwise stated.

Key estimates and judgements

The preparation of interim financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies. These interim financial statements are prepared using the same significant judgements and estimates as were used in the preparation of the 30 June 2021 annual financial statements.

As was the case at 30 June 2021, the COVID-19 pandemic continues to create uncertainties that impact the Group's key judgements and estimates. For intangible assets, these uncertainties include the ability to meet future forecasts and the consequential impact on the carrying value of those assets (note 7).

Going concern

For the six months to 31 December 2021, the Group incurred a loss of \$3.9 million. This loss arose as a direct result of the following trading restrictions imposed by the New Zealand Government in response to the ongoing COVID-19 pandemic:

- Auckland sites: Closure from 17 August 2021 to 2 December 2021 and operation with social distancing restrictions and reduced venue capacity from 3 December 2021 to 30 December 2021;
- Hamilton site: Closure from 17 August 2021 to 7 September 2021 and from 4 October 2021 to 16 November 2021 and operation with social distancing restrictions and reduced venue capacity from 8 September 2021 to 3 October 2021 and from 17 November 2021 to 2 December 2021;

During the period, the Group received New Zealand Government wage subsidies of \$1.73 million during the closure of the Auckland and Hamilton sites (note 4).

Due to the significant financial impact of these closures and trading restrictions on the Group, GSH obtained a waiver with its lender Pacific Dawn Limited in respect of the interest due and payable for the quarter ended 31 December 2021. The unpaid interest has been capitalised to the outstanding loan and bear interest. In addition, and as a direct result of the

impact of COVID related restrictions Pacific Dawn agreed to make available a further \$500k in funding from previously approved facilities and this was drawn in December 2021.

As referenced in note 12, subsequent to the reporting period cases of the Omicron variant of COVID-19 were detected in the community in New Zealand. As a result, the New Zealand Government moved the country to the COVID-19 red traffic light setting, which imposed restrictions on the Group's sites, including venue capacity limits, social distancing and mask-wearing requirements. At the time of signing these interim financial statements, New Zealand remains at the COVID-19 red traffic light setting. There is uncertainty as to the length of time that New Zealand will remain at the red traffic light setting.

GSH has prepared forecasts to support its going concern assessment that consider a range of possible scenarios from operating under the red and orange traffic light settings and potential additional implications from the Omicron variant. These forecast scenarios have been informed by the recent experience of the impact of COVID-19 restrictions in New Zealand and assume that COVID-19 trading restrictions under the red traffic light setting in New Zealand are in place for several months. GSH also notes the dialogue from the New Zealand government as to the reopening pathway as announced on 24 November 2021. This pathway sets out several incremental changes that open up New Zealand's borders and in country restrictions. Per the government's announcement, the pathway will allow a return to pre-Covid trading.

While there remain uncertainties regarding the implications on the near-term financial performance of the Group, GSH's current forecast scenarios indicate that it continues to have access to a sufficient level of liquidity to sustain the business and remain compliant with its financial obligations noting the ongoing support of its lender. These forecast scenarios are closely monitored and continuously updated as actual performance information becomes available.

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

Segment reporting

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

Significant items

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

3. CASH AND CASH EQUIVALENTS

	6 months to 31-Dec-21 UNAUDITED	6 months to 31-Dec-20 UNAUDITED	12 months to 30-Jun-21 AUDITED
Cash and Cash Equivalents	\$	\$	\$
Cash at Bank	1,396,260	2,858,019	2,353,216
Cash on Hand	256,030	242,046	225,621
	1,652,291	3,100,065	2,578,837
Restricted Cash			
Bank term deposit	76,154	76,154	76,154
Landlord bonds	190,095	190,095	190,095
	266,249	266,249	266,249

4. REVENUE

Revenue of bars owned on a like for like basis:

	6 months to 31-Dec-21 UNAUDITED \$	6 months to 31-Dec-20 UNAUDITED \$	12 months to 30-Jun-21 AUDITED \$
Auckland	5,103,019	10,411,931	21,147,110
Hamilton	1,096,039	1,096,039	2,168,609
	6,199,058	11,507,970	23,315,710

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants are wage subsidies and business support payments received from the New Zealand Government in relation to the COVID-19 pandemic.

	6 months to 31-Dec-21 UNAUDITED \$	6 months to 31-Dec-20 UNAUDITED \$	12 months to 30-Jun-21 AUDITED \$
Revenue recognised by the Company include:			
COVID-19 employee wage subsidy	1,563,110	661,999	905,429
IRD resurgence support payment	170,435	-	37,391
	1,733,545	661,999	942,820

5. PROPERTY, PLANT & EQUIPMENT

Additions

During the six months ended 31 December 2021, the Group executed a Lease in the Auckland Viaduct and redeveloped the site into a new, purpose-built high end English Ale House. Total cost for the redevelopment was \$1.85 million. (30 June 2021 \$nil; 31 December 2020 \$nil).

6. BUSINESS ACQUISITIONS

In line with the Groups strategy, during the reporting period GSH entered into a conditional agreement to acquire the Nourish Group. The 10 venues to be acquired include the iconic Soul Bar & Bistro and will bring GSH's total venues to 20. Advisory and due diligence cost in regard to the acquisition of the Nourish Group during the period were \$1.16 million.

7. INTANGIBLE ASSETS

The Group performed its annual impairment testing of goodwill at 30 June 2021, which included a number of conservative assumptions for the impact of COVID-19. Due to the ongoing uncertainties associated with the COVID-19 pandemic, the Group's goodwill was reviewed for impairment. As was the case at 30 June 2021, the calculated values in use of the Groups goodwill continue to exceed their carrying values.

8. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation to operating activities in the cashflow:

	6 months to 31-Dec-21 UNAUDITED \$	6 months to 31-Dec-20 UNAUDITED \$	12 months to 30-Jun-21 AUDITED \$
Profit / (loss) for the period	(2,949,989)	(121,154)	(5,837,665)
Adjusted for:			
Depreciation and amortisation	421,675	378,974	824,100
Depreciation of right-of-use assets	679,793	676,937	1,359,122
Interest on leases	628,744	596,484	1,232,128
Financial guarantee liability	(42,503)	-	132,877
Goodwill impairment	-	-	5,150,321
Disposal of property, plant and equipment	-	-	2,234
Non cash interest expense	851,614	372,680	603,560
Loan modification adjustment	-	-	(552,762)
IFRS16 modification adjustment	(359,957)	-	(81,761)
Right-of-use assets impairment	-	-	485,197
Changes in assets and liabilities			
Decrease / (increase) in receivables and prepayments	228,056	122,906	(79,159)
Decrease / (increase) in inventories	(15,325)	(41,147)	(70,088)
Increase / (decrease) in trade payables and accruals	1,145,852	(352,135)	(531,584)
Increase / (decrease) in income tax	(700,690)	(25,784)	9,592
Net cash (outflows) / inflows from operating activities	(112,730)	1,607,761	2,646,112

9. SEGMENT REPORTING

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

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.

Corporate - includes the activities of the Parent Company.

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

10. COMMITMENTS

The Group has no capital commitments as at 31 December 2021 (30 June 2021 \$nil; 31 December 2020 \$nil).

The Group has no other commitments as at 31 December 2021 (30 June 2021 \$nil; 31 December 2020 \$nil).

11. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2021 (30 June 2021 \$nil; 31 December 2020 \$nil).

12. EVENTS AFTER REPORTING DATE

COVID-19

On 24 January 2022, cases of the Omicron variant of COVID-19 were detected in the community in New Zealand. As a result, the New Zealand Government moved the country to the COVID-19 red traffic light setting, which imposed restrictions on the Group's sites, including venue capacity limits, social distancing, and mask-wearing requirements. At the time of signing these interim financial statements, New Zealand remains at the COVID-19 red traffic light setting and there is widespread outbreak in the community. The current close contact regulatory environment is contributing to staff shortages and at times the closure of venues. There is uncertainty as to the length of time that New Zealand will remain at the red traffic light setting (and these conditions more generally), but the New Zealand Government has indicated this could be several months.

13. BUSINESS PROFILE

Nature of Business

Listed Investment Company

Investor Enquiries

corporate@gsh.co.nz

Directors

Duncan Makeig (Independent)

Carl Carrington (Independent)

Matt Adams (Independent)

John Seton (Independent)

Chief Executive Officer

Geoff Tuttle

Chief Financial Officer

Anthony Laus

Registered Office

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Greenlane

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Auditors

BDO Auckland

Chartered Accountants

4 Graham Street, Auckland

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Solicitors

Buddle Findlay

188 Quay Street

Auckland 1140

PO Box 1433, Auckland 1140

Share Registrar

Link Market Services Limited

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15 Customs Street West

Auckland 1010

Bankers

Pacific Dawn Limited

Bank of New Zealand

Website

www.goodspiritshospitality.co.nz