

**Top Shelf International Holdings Ltd (ACN 164 175 535)  
and Top Shelf SaleCo Ltd (ACN 645 072 126)**

# Supplementary Prospectus

## Important information

This supplementary prospectus is dated 24 November 2020 (**Supplementary Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It supplements a prospectus dated 12 November 2020 issued by Top Shelf International Holdings Ltd (ACN 164 175 535) (**Top Shelf**) and Top Shelf SaleCo Ltd (ACN 645 072 126) (**SaleCo**) offering fully paid ordinary shares in Top Shelf (**Prospectus**).

This Supplementary Prospectus must be read together with the Prospectus. It is an important document and should be read in its entirety. If you do not understand this document, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

A term with a defined meaning in the Prospectus has the same meaning in this Supplementary Prospectus.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the Offer.

Other than the changes set out below, all other details in the Prospectus remain unchanged.

## Further disclosure in relation to costs of the Offer

**(a) Section 1.9 of the Prospectus (*Proposed use of funds and key terms and conditions of the Offer*)**

Section 1.9 of the Prospectus (*Proposed use of funds and key terms and conditions of the Offer*) is amended by including in the Summary column of the table in relation to the Topic "What is the proposed use of funds raised under the Offer?" the following paragraph immediately following the current table:

Please refer to Section 7.1.3 for a breakdown of the Offer transaction costs.

**(b) Section 7.1.3 (*Sources and uses of funds*)**

Section 7.1.3 of the Prospectus (*Sources and uses of funds*) is amended by including after the paragraph below Table 7.1 (*Summary of sources and uses of funds*) the following information in relation to Offer transaction costs:

Offer transaction costs (inclusive of unrecoverable GST) are comprised of:

Joint Lead Manager fees	\$2.6 million
Legal, accounting and tax adviser fees	\$1.1 million
Prospectus preparation, design and printing fees	\$0.3 million
ASX listing, registry and related fees	\$0.2 million
IPO prospectus insurance and related fees	\$0.2 million
Duties and taxes	\$0.2 million

**(c) Section 9.13 (*Costs of the Offer*)**

Section 9.13 of the Prospectus (*Costs of the Offer*) is amended by including the following paragraph after the first paragraph of that section:

Please refer to Section 7.1.3 for a breakdown of the costs of the Offer.

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## Statement of the Directors and directors of SaleCo

This Supplementary Prospectus is authorised by each Director and by each director of SaleCo. Each Director and each director of SaleCo have consented to the lodgement of this supplementary prospectus with ASIC and the issuance of this Supplementary Prospectus, and have not withdrawn that consent.

**For and on behalf of the directors of Top Shelf International Holdings Ltd (ACN 164 175 535) and Top Shelf SaleCo Ltd (ACN 645 072 126) in accordance with section 351 of the *Corporations Act 2001* (Cth)**



**Drew Fairchild**  
Director



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# TOP SHELF

## Prospectus

Top Shelf International Holdings Ltd

ACN 164 175 535

Initial Public Offering of  
21.4 million Shares at an Offer  
Price of A\$2.21 per Share

Joint Lead Managers:

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**ORD MINNETT**

**WILSONS**



# Important Notices

## The Offer

This prospectus (**Prospectus**) is issued by Top Shelf International Holdings Ltd (ACN 164 175 535) (**Top Shelf** or the **Company**) and Top Shelf SaleCo Ltd (ACN 645 072 126) (**SaleCo**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering (**Offer**) of fully paid ordinary shares in Top Shelf (**Shares**) that will either be issued by Top Shelf or sold by SaleCo.

## Lodgement and Listing

This Prospectus is dated 12 November 2020 (**Prospectus Date**). A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

Top Shelf will apply to ASX Limited (**ASX**) within seven days of the Prospectus Date for admission of the Company to the official list of ASX (**Official List**) and for quotation of the Shares (**Listing**). None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the Offer.

## Expiry Date

This Prospectus expires on the date that is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred based on this Prospectus after the Expiry Date.

## Note to Applicants

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only, without consideration of your particular investment objectives, financial situation or particular needs.

It is important you read this Prospectus carefully and in full before deciding whether to invest in Top Shelf.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the business, financial condition and financial performance of Top Shelf. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5 of this Prospectus. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, guarantees the performance of Top Shelf, the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information, or to make any representation, in connection with the Offer, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Top Shelf, SaleCo, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus when deciding whether to invest in Top Shelf.

## Exposure Period

The Corporations Act prohibits Top Shelf from processing applications for Shares offered under this Prospectus (**Applications**) in the seven day period after the Prospectus Date (**Exposure Period**). This Exposure Period may be extended by ASIC by up to seven further days (i.e. up to a total of 14 days). The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

## No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at [www.topshelfoffer.com.au](http://www.topshelfoffer.com.au) to persons who are Australian residents only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus will be available in electronic form at [www.topshelfoffer.com.au](http://www.topshelfoffer.com.au). The Offer constituted by this Prospectus in electronic form at [www.topshelfoffer.com.au](http://www.topshelfoffer.com.au) is available only to persons within Australia. This Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this

Prospectus, you should ensure that you download and read this Prospectus in its entirety.

You may, before the Offer Period closes, obtain a paper copy of this Prospectus (free of charge) by telephoning the Top Shelf Offer Information Line on 1300 737 760 (within Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only). If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 2 9290 9600 from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only).

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information about making an Application.

## Statements of past performance

This Prospectus includes information regarding the past performance of Top Shelf. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Financial Information presentation

Section 4 sets out the detail of the Financial Information referred to in this Prospectus. The basis of preparation and presentation of the Financial Information in this Prospectus is set out in Section 4.2. This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis.

Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards (**AAS**) and is classified as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Top Shelf believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial measures do not have standardised meanings under the AAS therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures



determined in accordance with the AAS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

The Financial Information is presented in an abbreviated form insofar as it does not include all disclosures, statements and comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

#### **Independent Limited Assurance Report on the Financial Information and financial services guide**

The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail clients with a financial services guide in relation to its independent review under the Corporations Act. The Independent Limited Assurance Report and accompanying financial services guide are provided in Section 8.

#### **Forward-looking statements**

This Prospectus contains forward-looking statements, including the Forecast Financial Information in Section 4 of this Prospectus, which may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'targets', 'predicts', 'forecasts', 'guidance', 'plan', 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. Top Shelf does not undertake to, and does not intend to, update or revise any forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Any forward-looking statements are subject to various risks that could cause Top Shelf's actual results to differ materially from the results expressed or anticipated in these statements.

Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the general and specific assumptions contained in the Financial Information as set out in Sections 4.6.1 and 4.6.3 the sensitivity analysis as set out in Section 4.8 and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of Top Shelf, SaleCo, the Directors, the SaleCo Directors and Top Shelf's management. Top Shelf, SaleCo, the Directors, the SaleCo Directors, Top Shelf's management and the Joint Lead Manager cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

#### **Industry and market data**

This Prospectus, including the Industry overview in Section 2, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes and growth, market shares, market segments, market positions and other industry data pertaining to Top Shelf's business and markets. Top Shelf has obtained significant proportions of this information from market research prepared by third parties. Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts or projections in the surveys or reports of any third party that are referred to in this Prospectus will be achieved.

The Company and SaleCo have not independently verified, and cannot give any assurances to the accuracy or completeness of, this industry and market data or the underlying assumptions used in generating this industry and market data. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Euromonitor International Ltd's materials referred to in this Prospectus include market research estimates based on various official published sources and trade opinion surveys conducted by Euromonitor and has been prepared primarily as a research tool. Euromonitor believes that it used suitable sources of information and methodologies for

this study but due to the nature of the techniques and methodologies used in market research Euromonitor does not guarantee or pledge as to the accuracy of such information. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or advisability of investing in the Company.

#### **Selling restrictions**

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act and any other applicable US state securities laws is available. See Section 9.8 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

#### **Defined terms and time**

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Australia. Unless otherwise stated or implied, references to dates or years are calendar year (**CY**) references.

#### **Privacy**

By completing an Application Form to apply for Shares, you are providing personal information to Top Shelf through the Share Registry, which is contracted by Top Shelf to manage Applications. Top Shelf, and the Share Registry on

## Important Notices

behalf of Top Shelf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws, including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, Top Shelf and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by Top Shelf, which it considers may be of interest to you. Your personal information may also be provided to Top Shelf's members, agents and service providers on the basis that they deal with such information in accordance with Top Shelf's Privacy Policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for the purpose of ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires Top Shelf to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including Top Shelf's financial results, annual reports and other information that

Top Shelf may wish to communicate to its Shareholders) and compliance by Top Shelf with legal and regulatory requirements. An Applicant has a right to gain access to the information that Top Shelf and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Top Shelf's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory at the end of this Prospectus. Applicants can obtain a copy of Top Shelf's Privacy Policy by visiting Top Shelf's website [www.topshelfgroup.com.au](http://www.topshelfgroup.com.au).

You may request access to your personal information held by or on behalf of Top Shelf and you may correct the personal information held by or on behalf of Top Shelf about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Telephone: (toll free within Australia)  
1300 737 760  
(outside Australia)  
+61 2 9290 9600

Address: Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001

### Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Top Shelf. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables included in this Prospectus is based on information available to Top Shelf at the Prospectus Date.

### Website

Top Shelf maintains a website at [www.topshelfgroup.com.au](http://www.topshelfgroup.com.au). Any references to documents included on Top Shelf's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

### Disclaimer

Except as required by law, and only to the extent so required, none of Top Shelf, SaleCo, the Directors, the SaleCo Directors, Top Shelf's management, the Joint Lead Manager or any other person warrants

or guarantees the future performance of Top Shelf, or any return on any investment made pursuant to this Prospectus.

Top Shelf, the Share Registry and the Joint Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if such person received confirmation of allocation from the Top Shelf Offer Information Line or confirmed their firm allocation through a Broker.

Ord Minnett Limited and Wilsons Corporate Finance Limited have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus that is based on any statement made by the Joint Lead Managers or by any of their respective affiliates, officers, or employees or advisers. To the maximum extent permitted by law, the Joint Lead Managers and each of their affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding and take no responsibility for, any part of this Prospectus other than references to their respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

### Questions

If you have any questions about how to apply for Shares, please call the Top Shelf Offer Information Line on 1300 737 760 (within Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only). If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 2 9290 9600 from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only). Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

If you have any questions about whether to invest in Top Shelf, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

**This Prospectus is important and should be read in its entirety.**

# Contents

Important Notices .....	IFC
Chairman's Letter .....	6
Key Offer Details .....	8
1. Investment Overview .....	10
2. Industry Overview .....	29
3. Company Overview .....	46
4. Financial Information .....	77
5. Risks .....	111
6. Key people, Interests and Benefits .....	119
7. Details of the Offer .....	138
8. Independent Limited Assurance Report .....	159
9. Additional Information .....	170
10. Summary of Key Accounting Policies .....	183
11. Glossary .....	189
Corporate Directory .....	IBC













# Chairman's Letter



Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become a Shareholder of Top Shelf International Holdings Ltd (**Top Shelf** or the **Company**).

Established in 2015, Top Shelf is an Australian diversified branded spirits company with a core purpose to promote, celebrate and enjoy our distinctive Aussie way of life by being "Daring, Strong and proudly Australian". As only approximately 8% of bottles spirits sold in Australia in 2019 were Australian by provenance,<sup>1</sup> we believe there is a significant opportunity to leverage "Brand Australia" both domestically and globally. The Australian wine industry has demonstrated what is possible in building a global presence and we believe the same opportunity exists for "scaled craft" Australian spirit brands.

Our ambition is to create high quality, authentic Aussie spirit brands where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience. This ambition is backed by our established platform, with over \$35 million of capital invested to date in the build out of our supply chain and brands. We have built one of the largest capabilities to source and distil spirits in Australia. The scale of the Company's operations and vertically integrated production capability mean that Top Shelf is well placed to compete in our chosen markets.

Our current portfolio of brands include the NED brand of Australian bottled whisky and whisky based RTD products and the Grainshaker brand of Australian bottled vodka. As we focus on scaling NED and Grainshaker, we are also looking forward to our future pipeline of brand and product development. The key product we expect to launch in the near term is a unique agave spirit of Australian provenance.

In support of Top Shelf's ambition to develop an agave spirit product, over 120,000 agave tequilana plants have been planted at the Eden Lassie agave farm in Queensland<sup>2</sup> and over 100,000 additional plants are in nurseries. Tequila and mezcal spirits are produced using agave plants and consumption of these spirits in the USA has grown at a 7.5% CAGR from 2014 to 2019.<sup>3</sup> Top Shelf considers a unique agave spirit of Australian provenance to be an attractive opportunity.

The ability to execute our ambition is underpinned by 6 core pillars:

1. **Attractive market fundamentals** – large addressable spirits markets with attractive competitive characteristics and consumer trends;
2. **Repeatable multi-brand platform** – proven capability to develop, launch and scale authentic Australian spirit brands;
3. **Installed scalable capacity** – scalable production assets supported by a vertically integrated, sustainable supply chain to underpin growth;
4. **Strong track record of growth** – material historic revenue growth achieved with significant revenue growth of 160% to approximately \$20.0 million forecast from FY20 to FY21;
5. **Multiple growth frontiers** – multiple active growth verticals to drive strong revenue growth, supported in the near term by focused national distribution relationships, maturation asset base and capability to provide third party packaging services; and
6. **Innovation and execution engine** – highly credentialed, entrepreneurial and values based leadership team driving execution and innovation.

1. Company estimates from Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

2. Top Shelf currently leases the Eden Lassie agave farm and has entered into contracts to purchase the farm with settlement expected in December 2020.

3. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.



A Daring Australian Spirit reflects our ethos. We are a committed, entrepreneurial team who share a common ethos of being daring, trailblazing, spirited, peerless, and grounded. This is reflected in our approach to innovation and development, and dealings with all stakeholders, as personified in our organisational values and commitment to research and development.

The Offer is expected to raise \$47.2 million based on the Offer Price of \$2.21 per Share (and \$1.88 per Share under the Priority Offer). This comprises \$35 million for the issue of New Shares (the proceeds of which will be received by the Company) and \$12.2 million for the sale of Sale Shares by SaleCo (the proceeds of which will be received by the Selling Shareholders). Funds raised by Top Shelf under the Offer will be used to provide further brand and marketing investment to support brand revenue growth, inventory investment both in liquid and container assets, fixed asset investment, including the completion of the Eden Lassie agave farm acquisition, provide balance sheet flexibility and pay down debt.

This Prospectus contains detailed information about the Offer, the market Top Shelf operates within, Top Shelf's operating and financial performance and details of some of the key risks associated with an investment in the Company. These key risks are set out in Section 5.

It is important you read this Prospectus carefully, including the key risks set out in Section 5, before deciding whether to invest in Top Shelf.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adem Karafili', with a stylized flourish at the end.

**Adem Karafili**  
Executive Chairman

# Key Offer Details

## Key Offer Statistics

Total number of New Shares to be issued under the Offer	<b>15.9 million</b>
Total number of Sale Shares to be sold by SaleCo under the Offer	<b>5.5 million</b>
Total number of Shares to be offered under the Offer <sup>1</sup>	<b>21.4 million</b>
Amount to be raised under the Offer	<b>\$47.2 million</b>
Total number of Shares to be held by Existing Shareholders at Completion of the Offer <sup>2</sup>	<b>28.5 million</b>
Total number of Shares on issue at Completion of the Offer <sup>3</sup>	<b>49.7 million</b>
Offer Price for Shares under the Institutional Offer and Broker Firm Offer	<b>\$2.21 per Share</b>
Priority Offer Price for Shares under the Priority Offer	<b>\$1.88 per Share</b>
Market capitalisation at the Offer Price <sup>4</sup>	<b>\$109.9 million</b>
Pro forma historical net cash as at 30 June 2020 <sup>5</sup>	<b>\$19.6 million</b>
Enterprise value at the Offer Price <sup>6</sup>	<b>\$90.3 million</b>
Enterprise value/pro forma FY21 forecast revenue	<b>4.5x</b>

### Notes:

1. The total number of Shares to be offered under the Offer does not include 0.9 million Shares being issued under this Prospectus at the Offer Price to entities controlled by Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).
2. Includes Shares acquired under the Employee Gift Offer and Priority Offer and Shares issued to entities controlled by Drew Fairchild and Adem Karafili as described in Section 6.3.2.6.
3. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.
4. Market capitalisation at the Offer Price is calculated by multiplying the total number of Shares on issue at Completion by the Offer Price. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower.
5. Excludes lease liabilities.
6. Enterprise value is calculated by adding market capitalisation at the Offer Price and pro forma net debt or deducting net cash.

## Important Dates

Lodgement of the Prospectus with ASIC ( <b>Prospectus Date</b> )	<b>12 November 2020</b>
Broker Firm Offer, Employee Gift Offer and Priority Offer opens	<b>20 November 2020</b>
Broker Firm Offer, Employee Gift Offer and Priority Offer closes	<b>30 November 2020</b>
Settlement of the Offer	<b>3 December 2020</b>
Completion (issue and transfer of Shares)	<b>4 December 2020</b>
Expected dispatch of holding statements	<b>7 December 2020</b>
Expected commencement of trading on ASX	<b>10 December 2020</b>

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice (including, subject to ASX Listing Rules and the Corporations Act, to close the Offer or any part of it early, to extend the Offer or any part of it, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as early as possible after the Offer opens.

## How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the Application Form.

## Questions

Please call the Top Shelf Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) 8.15am to 5.30pm (Melbourne time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter relating to the Offer or are uncertain as to whether Shares in Top Shelf are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in Shares.





# 1.

## Investment Overview

# 1. Investment Overview

## 1.1 Introduction

Topic	Summary
<b>Who is Top Shelf?</b>	<p>Top Shelf is a Melbourne based producer and marketer of high-quality Australian spirit-based beverage brands, with an ambition to create high quality, authentic Aussie spirit brands, where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience.</p> <p>Top Shelf has expertise in the development and production of distilled spirits, access to research and development expertise and modern, fully commissioned and operational fermentation, distillation and packaging facilities in Campbellfield, Victoria. In addition to distilling and manufacturing its own range of spirituous products, Top Shelf also provides canning, bottling and packaging services to a range of customers.</p> <p><i>For further information, see Section 3.1</i></p>
<b>What is Top Shelf's history?</b>	<p>Founded in 2015, Top Shelf has been producing and selling its NED branded Australian whisky ready-to-drink (RTD) product since 2016. In late 2019, Top Shelf released a 700ml bottle of Australian whisky, which is now ranged in 1,434 stores across all Australian States and Territories. Most recently, Top Shelf has developed a range of Australian grain based vodka, which were released under the Grainshaker brand in October 2020.</p> <p>Top Shelf is also planning to launch a range of agave spirit products.</p> <p><i>For further information, see Section 3.1</i></p>
<b>What are Top Shelf's products?</b>	<p>Top Shelf has a multi-brand portfolio of branded spirit based beverages with each brand having a unique identity, whilst embodying an unmistakable Aussie taste, attitude and social experience.</p> <p>NED, Top Shelf's whisky brand, celebrates the essence of the Aussie heritage of being daring and bold. Grainshaker, Top Shelf's vodka brand, celebrates the earthiness of the Australian culture and the riches that come from Australia's vast and diverse landscape. Top Shelf's agave brand will celebrate Australian's ability to relax, to reward, and the tropical treasures of its coastline.</p> <p><i>For further information, see Section 3.3</i></p>
<b>What markets does Top Shelf operate in and what are their size?</b>	<p>Top Shelf principally operates in the Australian bottled spirits and spirit based RTD product markets, which are segments of the broader Australian alcoholic beverages market. Approximately 328 million litres of bottled spirits and spirit based RTD products were sold in Australia in 2019, generating retail sales of approximately \$11 billion.<sup>4</sup></p> <p>In addition, Top Shelf provides canning, bottling and packaging services to a range of customers in Australia. The market in Australia for beverage canning, bottling and packaging is large and consolidated with a small number of major integrated beverage product and packaging suppliers holding dominant market positions.</p> <p><i>For further information, see Section 2.1</i></p>

4. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

## 1. Investment Overview

Topic	Summary
<b>Why is the Offer being conducted?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>• allow Top Shelf to make further investment in sales and marketing initiatives to support its growth strategies (including brand investment and sales labour costs);</li> <li>• allow Top Shelf to make further investments in capital assets, including inventory and related storage assets and to fund completion of the acquisition of the Eden Lassie agave farm;</li> <li>• provide Top Shelf with balance sheet flexibility and to repay down existing debt; and</li> <li>• provide a liquid market for certain Existing Shareholders to realise part of their investment in Top Shelf and an opportunity for others to invest in Shares.</li> </ul> <p><i>For further information, see Section 7.1.2</i></p>

### 1.2 Key features of Top Shelf's business model

Topic	Summary
<b>How does Top Shelf generate its income? What are its main expenses?</b>	<p>Top Shelf generates income primarily from two core activities; the sale of branded alcohol spirit products and the provision of canning, bottling and packaging services to other beverage companies.</p> <p>Top Shelf's primary expenses are government excise taxes, investment in marketing and sales to support growth of the brands, distribution expenses and management salary and wages cost.</p> <p><i>For further information, see Section 4</i></p>
<b>Where does Top Shelf produce its products?</b>	<p>Top Shelf's primary production facility is located in Campbellfield, Victoria across 3,500 square metres. The facility contains a brew house for wash production, which is fermented and distilled in column and pot stills for both whisky and vodka, and a flexible packaging facility for beverage cans and bottles. State-of-the-art production equipment was sourced from leading global equipment suppliers located in Italy predominantly from Della Tofla, Imball, and CFT.</p> <p>Top Shelf's maturation facility and bond store are located nearby in Somerton, occupying a total of just under 4,000 square metres, housing oak vats and barrels for the storage of whisky inventory, which by law must be laid down for a minimum of two years.</p> <p>In support of Top Shelf's ambition to develop an agave spirit product, Top Shelf currently leases, and has entered into a contract to purchase the 430-hectare Eden Lassie agave farm in Queensland, located 30 km south of Bowen near Airlie Beach. Over 120,000 agave plants have been planted at the farm and over 100,000 additional plants are in nurseries.</p> <p><i>For further information, see Section 3.4</i></p>



Topic	Summary
<b>How does Top Shelf sell its products?</b>	<p>Top Shelf distributes its product via two primary channels:</p> <ul style="list-style-type: none"> <li>• Off-premise (being the purchase of alcohol at a retail outlet, which is not consumed at a licenced premise) – primarily via the progressive buildout of traditional independent alcohol retailer distribution networks; and</li> <li>• On-premise (being the consumption of alcohol in pubs, bars, restaurants and other public licenced venues) – primarily via hospitality establishments and brand activation sites.</li> </ul> <p><i>For further information, see Section 3.5</i></p>
<b>Who are Top Shelf's competitors?</b>	<p>The Australian spirit and spirit based RTD markets are dominated by imported products. Therefore, Top Shelf's products compete with major international alcohol companies including products produced by Diageo, Asahi, Pernod Ricard, Suntory, Campari, Brown Forman, and William Grant and Sons.</p> <p>Top Shelf's products also compete with other Australian spirit companies such as Lark Distillery, Sullivan's Cove, Hellyer Road, Archie Rose, Manly Spirits, Starward, Bakery Hill, Limeburners, 23rd Street Distillery, Vodka Plus, Sydney Vodka, Old Kempton Distillery and The Grove Distillery.</p> <p><i>For further information, see Section 2.2</i></p>
<b>How does Top Shelf differentiate itself from its competitors?</b>	<p>While Top Shelf principally operates in a market that is dominated by imported products, it is an Australian company with all of its operations in Australia. In particular:</p> <ul style="list-style-type: none"> <li>• Top Shelf has the largest installed and integrated alcoholic spirits distilling and packaging facility when compared with other Australian spirits manufacturers. This scale and integrated capacity provides Top Shelf with immense capacity to develop, launch and adapt products to meet the needs of the local alcoholic spirits market.</li> <li>• Top Shelf has the only agave plantation in Australia to source critical inputs for an authentic Australian agave spirit product.</li> <li>• Top Shelf has a multi-brand platform that provides the portfolio flexibility to participate in more than one segment of the Australian bottled spirits and RTD product markets.</li> </ul> <p><i>For further information, see Section 3.2</i></p>

## 1. Investment Overview

Topic	Summary
<b>What is Top Shelf's growth strategy?</b>	<p>Top Shelf is well progressed in executing its growth strategy, with Phase 1 and Phase 2 described below. Having successfully executed Phase 1, Top Shelf is now focused on the execution of Phase 2.</p> <p><b>Phase 1 (FY15 to FY20)</b></p> <ul style="list-style-type: none"> <li>Established the NED whisky brand and invested in a scalable vertically integrated manufacturing and supply chain.</li> <li>Established a national distribution channel to market through Metcash's IBA banner retail group.</li> <li>Undertaken early development work to establish a vodka and agave brand.</li> </ul> <p><b>Phase 2 (FY21 to FY22)</b></p> <ul style="list-style-type: none"> <li>Continue to scale NED brand sales, expanding the product range and sales channel access, growing the sales force and increasing brand activation activities.</li> <li>Launch the Grainshaker vodka brand in Australia in both on-premise and off-premise channels and leverage supply capability to expand penetration of the vodka product range.</li> <li>Partner with Anther Experimental Distillery and The University of Adelaide<sup>5</sup> to develop the agave product in preparation for establishing the first phase agave spirit distillation capability at the Eden Lassie farm.</li> <li>Commence early agave production to source agave sugar from Mexico and agave leaves from Queensland.</li> <li>Commence preparation work to establish channels to market in offshore locations (USA and China as preferred locations).</li> <li>Seek to identify acquisition opportunities to expand scale of existing brands, expand product in the existing brand portfolio, enter new brands and/or alcohol sub segments, and enter new geographies.</li> </ul> <p>Phase 2 is expected to inform and be succeeded by further scaling of the NED, Grainshaker and agave brands in Australia, further diversification of distribution channels, increases in production capacities, particularly in the distillation capacity of agave spirit at the Eden Lassie agave farm in anticipation of commencement of harvesting of agave and first entry into offshore markets.</p> <p><i>For further information, see Section 3.7</i></p>

5. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.

## 1.3 Key strengths and investment highlights

Topic	Summary
<b>Attractive market fundamentals</b>	<p>Top Shelf's ambition is underpinned by attractive market fundamentals:</p> <ul style="list-style-type: none"> <li>• large Australian spirit and spirit based RTD products markets;</li> <li>• whisky and vodka products, which Top Shelf produces, have the largest market share in those markets;</li> <li>• Australian produced products represent a small part of those markets;</li> <li>• market consumption trends such as premiumisation are leading to increased consumption of spirits at the expense of beer and wine; and</li> <li>• an emerging Australian craft spirit distilling industry is eroding market share of larger, more established, brands.</li> </ul> <p><i>For further information, see Section 2</i></p>
<b>Repeatable multi-brand platform</b>	<p>Top Shelf is building scale in its marketing and distribution platforms. This scalable platform underpins the capacity to replicate brand expansion across multiple brands and multiple sub-segments. This is expected to be delivered by:</p> <ul style="list-style-type: none"> <li>• <i>Consumer and market insight</i> – using consumer data to identify trends early and leverage Top Shelf's vertically integrated supply chain to move fast to participate in those trends;</li> <li>• <i>Extensive research and development</i> – a wide ranging research and development program creates opportunities to innovate in all segments of the spirit and RTD markets;</li> <li>• <i>Sales and marketing team</i> – Top Shelf leveraging its sales and marketing capacity to market multiple brands into established networks and relationships;</li> <li>• <i>Digital capacity</i> – leveraging existing consumer data for new brands to grow direct-to-consumer sales and communication; and</li> <li>• <i>Trade relationships</i> – Top Shelf maintaining trade relationships within all tiers and channels of the spirit market, domestically and globally.</li> </ul> <p><i>For further information, see Section 3.3</i></p>

## 1. Investment Overview

Topic	Summary
<b>Installed scalable capacity</b>	<p>Top Shelf has installed production capacity at its facility in Campbellfield, Victoria, to produce 14 times more product than what it is forecast to produce in FY21. This significant scalability underpins Top Shelf's growth potential.</p> <ul style="list-style-type: none"> <li>• <i>Whisky and vodka production</i> – Top Shelf has installed production capacity to produce 400,000 cases of whisky and vodka 9 litre equivalent (<b>LE</b>) bottles per annum. This represents 14 times the capacity required to support Top Shelf's FY21 forecast LAL sales, reflecting significant excess capacity to facilitate medium term production growth.</li> <li>• <i>Eden Lassie Farm</i> – approximately 120,000 agave plants have been planted with a target of 1 million plants planted by the end of 2024 to support a harvest of 200,000 plants per year over a 4 to 5 year growing cycle. This is expected to provide capacity for production of 200,000 cases of agave spirits of 9 LE bottles per annum. This capacity would exceed the current Australian market by approximately 68% by volume.<sup>6</sup></li> <li>• <i>Canning and bottling packaging</i> – Top Shelf has installed canning and bottling capacity to service 30 times Top Shelf's FY21 forecast branded product sales. Surplus capacity can service needs of third party beverage companies thereby providing important cash contributions for reinvestment in Top Shelf's branded products and exposure to emerging beverage product trends.</li> </ul> <p><i>For further information, see Section 3.4</i></p>
<b>Strong track record of delivering and de-risking growth</b>	<p>Top Shelf has demonstrated a track record of:</p> <ul style="list-style-type: none"> <li>• <i>raising capital and deploying it in a responsible and efficient manner</i> – Top Shelf has raised and deployed over \$35 million in capital over the past five years to support the growth of the business;</li> <li>• <i>strong commercial management</i> – experienced key management personnel leading a balanced approach to both risk and opportunity management; and</li> <li>• <i>delivering aggressive growth targets</i> – Top Shelf has delivered consistent year-on-year revenue growth of over 100%.</li> </ul> <p>Top Shelf has consciously de-risked its future growth profile by:</p> <ul style="list-style-type: none"> <li>• <i>scalable installed capacity</i> – the fixed assets to support the forecast growth profile are in place, commissioned and tested at nameplate capacities;</li> <li>• <i>growing whisky inventory</i> – whisky inventory on hand as at the end of September 2020 is equivalent to \$46 million in net sales value, which acts as an indicator of potential future wholesale revenue when the whisky has matured. This is anticipated to increase to over \$106 million in net sales value of whisky on hand by the end of FY21 as whisky maturation is completed;<sup>7</sup></li> <li>• <i>national distribution channels</i> – distribution arrangements to market for NED with national ranging in IBA banner retail outlets and to support a channel-to-market for Grainshaker vodka; and</li> <li>• <i>continued growth in third party packaging sales</i> – supports near term cash generation that can be reinvested into brand development and laying down whisky inventory.</li> </ul> <p><i>For further information, see Section 3.4 and 3.5</i></p>

6. Company estimate based on comparative data in Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).  
7. The litres of whisky on hand at the end of September 2020 and the end of FY21 multiplied by the anticipated wholesale sales value per 700 mL bottle of \$40 is used by Top Shelf as an indicator of future wholesales revenue when the whisky has matured. This financial metric excludes the net sales value of vodka and agave on hand at year end. Refer to Section 4.3.2 for further details.

Topic	Summary
<b>Multiple growth frontiers</b>	<p>A summary of potential growth frontiers for Top Shelf include:</p> <ul style="list-style-type: none"> <li>• <i>Brand scaling through expanded distribution channels</i> – opportunities remain to expand within off-premise channels, on-premise channels, and through e-commerce channels;</li> <li>• <i>Expanding products within the brand families</i> – opportunity to expand existing portfolio brands via packaging type and size, mixers, introducing premium products, and introducing aged products;</li> <li>• <i>Portfolio expansion</i> – new brands within existing and adjacent segments or new brands in non-alcohol products associated with packaging;</li> <li>• <i>International distribution</i> – comparable market opportunities existing within the USA and China which not only represent an opportunity for sales growth, but also a significant opportunity to realise margin expansion; and</li> <li>• <i>Inorganic growth through acquisitions or strategic partnerships</i> – opportunity to engage in acquisitions and strategic partnerships to increase scale, capability or market access.</li> </ul> <p><i>For further information, see Section 3.7</i></p>
<b>Innovation and execution engine</b>	<p>At the core of Top Shelf's business is the innovation and execution capability of its experienced team:</p> <ul style="list-style-type: none"> <li>• <i>common company ethos</i> – of being daring, trailblazing, spirited, peerless and grounded. This ethos is codified in a set of values that include; being daring, creating as our craft, inspiring and celebrating;</li> <li>• <i>strong governance structures</i> – led by an experienced Board, each bringing diversity of expertise and perspectives critical for business success; and</li> <li>• <i>entrepreneurial spirit</i> – a commitment to stretch the boundaries of what is possible, partnering with the best minds in the areas of research and development to create products that customers can celebrate.</li> </ul> <p><i>For further information, see Section 3.9, 6.1 and 6.2</i></p>



## 1. Investment Overview

### 1.4 Key financial information

Topic	Summary																																																																											
What is Top Shelf’s historical and forecast financial performance	<b>Table 1.1: Pro forma summarised historical results and forecast results</b>																																																																											
	<table><tr><th>AUD in thousands</th><th colspan="3">Pro forma historical</th><th>Pro forma forecast</th></tr><tr><th></th><th>FY18</th><th>FY19</th><th>FY20</th><th>FY21</th></tr><tr><td>Revenue</td><td>671</td><td>2,163</td><td>7,679</td><td>19,970</td></tr><tr><td>Cost of sales</td><td>(790)</td><td>(1,565)</td><td>(5,876)</td><td>(15,415)</td></tr><tr><td>Gross profit</td><td>(120)</td><td>598</td><td>1,803</td><td>4,555</td></tr><tr><td>Other income</td><td>3</td><td>299</td><td>432</td><td>276</td></tr><tr><td>Operating expenses</td><td>(1,692)</td><td>(3,340)</td><td>(7,463)</td><td>(15,596)</td></tr><tr><td>Add back depreciation &amp; amortisation</td><td>205</td><td>283</td><td>815</td><td>907</td></tr><tr><td>EBITDA</td><td>(1,604)</td><td>(2,159)</td><td>(4,412)</td><td>(9,859)</td></tr><tr><td>Depreciation &amp; amortisation</td><td>(205)</td><td>(283)</td><td>(815)</td><td>(907)</td></tr><tr><td>EBIT</td><td>(1,809)</td><td>(2,443)</td><td>(5,227)</td><td>(10,765)</td></tr><tr><td>Net finance costs</td><td>(161)</td><td>(599)</td><td>(914)</td><td>(1,190)</td></tr><tr><td>Loss before taxation</td><td>(1,970)</td><td>(3,042)</td><td>(6,142)</td><td>(11,955)</td></tr><tr><td>Income tax benefit</td><td>326</td><td>165</td><td>1,705</td><td>2,472</td></tr><tr><td>Net loss after taxation</td><td>(1,644)</td><td>(2,877)</td><td>(4,436)</td><td>(9,484)</td></tr></table>	AUD in thousands	Pro forma historical			Pro forma forecast		FY18	FY19	FY20	FY21	Revenue	671	2,163	7,679	19,970	Cost of sales	(790)	(1,565)	(5,876)	(15,415)	Gross profit	(120)	598	1,803	4,555	Other income	3	299	432	276	Operating expenses	(1,692)	(3,340)	(7,463)	(15,596)	Add back depreciation & amortisation	205	283	815	907	EBITDA	(1,604)	(2,159)	(4,412)	(9,859)	Depreciation & amortisation	(205)	(283)	(815)	(907)	EBIT	(1,809)	(2,443)	(5,227)	(10,765)	Net finance costs	(161)	(599)	(914)	(1,190)	Loss before taxation	(1,970)	(3,042)	(6,142)	(11,955)	Income tax benefit	326	165	1,705	2,472	Net loss after taxation	(1,644)	(2,877)	(4,436)	(9,484)
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What is Top Shelf’s dividend policy?	<p>The Directors have no current intentions of declaring or paying dividends in the short to medium term, as it is their intention to reinvest cash earnings back into the Company to further develop the business. The Top Shelf Board will review this policy as appropriate and the declaration and amounts of any dividends are at the sole discretion of the Top Shelf Board. In making a decision concerning dividends, the Top Shelf Board will take into account Top Shelf’s earnings for the period, future capital requirements and other relevant factors such as the outlook of the Company.</p>																																																																											
	<i>For further information, see Section 4.9</i>																																																																											

## 1.5 Key risks

Topic	Summary
<b>The COVID-19 pandemic may adversely impact Top Shelf's operations and performance</b>	<p>Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer attitudes, preferences and spending, it is not currently possible to assess the full impact of the COVID-19 pandemic on Top Shelf's business, operations and prospects.</p> <p>Prolonged periods of social distancing (including restrictions on social gatherings, including in on-premises locations), quarantines, travel restrictions, work stoppages, health authority actions, lockdowns and other related measures within Australia and internationally, or an escalation of existing measures, may directly and indirectly impact a number of aspects of Top Shelf's business. These measures may have a material adverse impact on Top Shelf's ability to ensure supply chain continuity, which may in turn limit Top Shelf's ability to produce its products and provide its bottling and packaging services as expected.</p> <p><i>For further information, see Section 5.1.1</i></p>
<b>Top Shelf's brands and marketing and sales strategies may not be successful</b>	<p>Top Shelf's future success is partly dependent on the realisation of benefits from investment in its brands and sales and marketing strategies, initiatives and campaigns. Top Shelf expects that the costs of developing its brands and associated marketing strategies, initiatives and campaigns will continue to increase as Top Shelf's business and product range grow.</p> <p>There is no guarantee that Top Shelf will realise any benefits from these investments, for example, if such brands or strategies, initiatives or campaigns do not resonate with potential consumers or fail to capture market share. Failure to realise the benefits of these investments may adversely impact Top Shelf's ability to attract new customers and as a result Top Shelf's operating and financial performance.</p> <p>Top Shelf has assumed the successful launch of the Grainshaker vodka brand in October 2020 and execution of the commencement of its market penetration strategy in the Forecast Financial Information presented in Section 4 of this Prospectus. Failure of or slower than anticipated market acceptance of Top Shelf's Grainshaker vodka brand may adversely impact Top Shelf's operating and financial performance.</p> <p><i>For further information, see Section 5.1.2</i></p>
<b>Top Shelf may fail to comply with safety and quality standards and other legal and regulatory requirements</b>	<p>Raw ingredients (such as grains required for the production of whisky and vodka) as well as final products are susceptible to deterioration, contamination, tampering or adulteration throughout all stages of the supply chain (including storage) or may otherwise be unsafe or unfit for sale or consumption. This may result from various factors, including human error, equipment failure and other external factors that may impact Top Shelf and its suppliers and service providers.</p> <p>Non-compliance with safety regulations and quality standards that apply to Top Shelf's products or the products Top Shelf bottles and packages for customers, and associated adverse publicity, could damage Top Shelf's brand and reputation, which may reduce demand for Top Shelf's products or services. There is also potential for other adverse consequences for Top Shelf, including regulatory penalties or other litigation, product recall and disposal costs, loss of inventory and delayed supply of Top Shelf's products or demand for Top Shelf's services. These factors could materially adversely affect the financial performance and future growth prospects of Top Shelf.</p>

## 1. Investment Overview

Topic	Summary
<b>Top Shelf may fail to comply with safety and quality standards and other legal and regulatory requirements</b> continued	<p>Top Shelf must comply with a range of laws and regulations (including new laws or regulations that are introduced), such as beverage standards and product content requirements, labelling and packaging (including mandatory dietary content disclosures), biosecurity, fair trading and consumer protection, employment, health and safety, property and the environment (including climate change and environmental protection), customs and tariffs and direct, indirect taxation and excise duties. Failure to comply may result in a monetary fine or other penalty (such as losing the ability to operate), additional costs, adverse publicity or a loss in consumer confidence in Top Shelf's products, which could have a material adverse effect on Top Shelf's operating and financial performance and reputation.</p> <p><i>For further information, see Section 5.1.3</i></p>
<b>Changes in consumer trends and preferences may adversely impact sales of Top Shelf's products</b>	<p>The spirits and spirit based RTD product markets that Top Shelf operates in are subject to changing consumer trends, demands, preferences and attitudes, including as a result of shifting and evolving beliefs, tastes and dietary habits of end consumers, views advanced by celebrities and social media influencers, socioeconomic development and other economic conditions. Responding to new market trends may require significant investment. Failure by Top Shelf to anticipate, identify and react to changing consumer trends in a timely manner in respect of some or all of Top Shelf's target end consumers could lead to reduced demand and price reductions for Top Shelf's products. This could have a material adverse effect on Top Shelf's operating and financial performance.</p> <p>Top Shelf's current product and distribution mix are concentrated on whisky and vodka, which means that Top Shelf's revenue could be materially impacted by adverse changes in end consumer demand for those types of products.</p> <p><i>For further information, see Section 5.1.4</i></p>
<b>Top Shelf may lose a key customer or customer support more generally</b>	<p>Top Shelf's distribution arrangements with ALM and IBA operate under ALM's and IBA's standard trading terms and conditions. These arrangements can be terminated by ALM or IBA on short notice and without penalty. Further, ALM and IBA are under no obligation to purchase a particular volume of Top Shelf's products or to continue purchasing Top Shelf's products at all. Therefore, to generate revenue from its relationship with ALM and IBA, Top Shelf relies on ALM and IBA continuing to submit purchase orders for Top Shelf's products.</p> <p>Any of Top Shelf's key customer relationships (including ALM or IBA) may be lost or impaired, for example if customers experience any dissatisfaction with Top Shelf's products or services or end consumers fail to purchase Top Shelf's products. This may (either temporarily or for a prolonged period of time) decrease the volume of products that Top Shelf is able to sell, and services Top Shelf is able to provide, to its customers.</p> <p>There can be no guarantee that customers will continue to purchase the same, similar or greater quantities of Top Shelf's products or services as they have historically. The loss of any of Top Shelf's key customers (including ALM or IBA), or a significant reduction in the volume of products purchased or services required by one or more key customers (including ALM or IBA), may adversely impact Top Shelf's operating or financial performance.</p> <p><i>For further information, see Section 5.1.5</i></p>

Topic	Summary
<b>Top Shelf may suffer reputation or brand damage</b>	<p>The reputation of Top Shelf's products and brands with its customers and consumers generally is an important asset of the business. Top Shelf's reputation could be impacted by a number of factors, including quality issues with Top Shelf's products or services (perceived or actual) or a failure or delay in supplying products or services. A material adverse impact to the reputation of Top Shelf's products, services or brands could adversely affect customer relationships, resulting in loss of business, loss of contract and loss of market share, and have a material adverse effect on Top Shelf's financial and operating performance.</p> <p><i>For further information, see Section 5.1.6</i></p>
<b>Top Shelf operates in a highly competitive industry and it may fail to implement its growth strategy or manage growth</b>	<p>Top Shelf is a relatively small participant in the highly competitive spirits and spirit based RTD product markets and is subject to existing and growing competition from domestic and international producers of alcoholic beverages with greater market share and well established operations. Top Shelf may not succeed in implementing its growth strategies for a variety of reasons, including being unable to compete with existing domestic and international producers, an inability to access debt or equity capital, overall economic or market conditions or a failure to adapt its strategy over time where required. Such failure, and the costs incurred in seeking to implement its strategy, may materially and adversely affect the financial performance and future prospects of Top Shelf.</p> <p>Top Shelf may be unable to scale supply of its product in a timely manner to grow its business or to meet increases in demand. For example, the production of Top Shelf's whisky products may be constrained by the time required for its whisky to mature. If Top Shelf is not in a position to grow its business or meet increases in demand on a timely basis, customers may instead choose to purchase alternative products and this may adversely impact Top Shelf's financial performance and ability to grow its business successfully.</p> <p><i>For further information, see Section 5.1.7</i></p>
<b>Top Shelf may fail to attract and retain key management personnel</b>	<p>The successful operation of Top Shelf is dependent on its ability to attract and retain experienced, skilled and high performing key management and operating personnel. Failure to attract and retain certain personnel may adversely affect Top Shelf's ability to execute its business strategy and may result in a material increase in the cost of obtaining appropriately experienced personnel. This could also have a materially adverse impact on Top Shelf's operating and financial performance and growth prospects.</p> <p><i>For further information, see Section 5.1.8</i></p>
<b>Top Shelf may experience issues with its manufacturing or storage facilities</b>	<p>The equipment and management systems necessary for the operation of Top Shelf's manufacturing facilities may break down, perform poorly, fail, or be impacted by a fire or major weather event, resulting in manufacturing delays, increased manufacturing costs or an inability to meet customer demand.</p> <p>Top Shelf has a significant amount of product inventory stored in a number of facilities, in particular over 800,000 litres of whisky that must be laid down for a statutory minimum of two years. Top Shelf's storage facilities may be impacted by a fire or major weather event (such as a storm) or subject to malicious attack, which may result in the loss, damage, contamination or destruction of all or some of its stored product inventory.</p> <p>The occurrence of any of these events may materially adversely impact Top Shelf's production capacity and, as a result, Top Shelf's sales.</p> <p><i>For further information, see Section 5.1.9</i></p>



## 1. Investment Overview

Topic	Summary
<b>There may be an interruption in Top Shelf's supply chain</b>	<p>Top Shelf's relationships with its existing suppliers are not always formally documented nor exclusive, and some of these third party providers also have relationships with Top Shelf's competitors. Therefore, Top Shelf may not be able to retain its relationship with its third party suppliers.</p> <p>The quantity and quality of Top Shelf's products may be adversely affected by weather or climatic conditions (including climate change), which may impact the availability and sustainability of raw ingredients used by Top Shelf. If a weather or climatic condition disrupts Top Shelf's supply chain, Top Shelf may not be able to source suitable raw ingredients and this may have a material adverse impact on Top Shelf's operations and financial performance.</p> <p>The incidence of a biosecurity event such as a disease outbreak in the agave crop at the Eden Lassie agave farm or in crops of key producers of the grains required to produce whisky or vodka could lead to a reduction in available raw ingredient supply to Top Shelf, which may in turn materially and adversely impact Top Shelf's operations, financial performance and reputation. Other biosecurity risks may arise from inadvertent actions such as use of contaminated ingredients or from deliberate actions. This may adversely impact demand for Top Shelf's products and have an adverse effect the Company's financial performance.</p> <p><i>For further information, see Section 5.1.10</i></p>
<b>Top Shelf may fail to manage its inventory effectively</b>	<p>Top Shelf may fail to accurately forecast or manage its inventory levels. If Top Shelf produces excess product that it cannot sell in a timely manner, the excess product may need to be sold at a discount and Top Shelf may be required to bear the costs of the surplus product and recognise inventory write-down costs. This may have a material adverse impact on the financial position of Top Shelf and its operating results.</p> <p><i>For further information, see Section 5.1.11</i></p>
<b>Top Shelf may experience significant increases in manufacturing costs</b>	<p>Top Shelf may be adversely impacted by increases in manufacturing costs, including material increases in key ingredient prices such as grains required to produce whisky and vodka. The availability and price of key ingredients used in Top Shelf's products are influenced by global demand and supply factors outside of Top Shelf's control. If there is a significant increase in the cost of the inputs of Top Shelf's products, this may have a material adverse effect on Top Shelf's operating and financial performance.</p> <p><i>For further information, see Section 5.1.12</i></p>
<b>Top Shelf may be unable to access funding</b>	<p>As at the Prospectus Date, Top Shelf is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations. Although the Directors consider that the Company will, on Completion of the Offer and with the Financing Facility, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding.</p> <p><i>For further information, see Section 5.1.15</i></p>
<b>Other key risks</b>	<p>A number of other key risks are included in Section 5, including other commercial, operational and general risks.</p> <p><i>For further information, see Section 5</i></p>

## 1.6 Key Offer statistics

Topic	Summary
What are the key offer statistics?	Total number of New Shares to be issued under the Offer <b>15.9 million</b>
	Total number of Sale Shares to be sold by SaleCo under the Offer <b>5.5 million</b>
	Total number of Shares to be offer under the Offer <sup>1</sup> <b>21.4 million</b>
	Amount to be raised under the Offer <b>\$47.2 million</b>
	Total number of Shares to be held by Existing Shareholders at Completion of the Offer <sup>2</sup> <b>28.5 million</b>
	Total number of Shares on issue at Completion of the Offer <sup>3</sup> <b>49.7 million</b>
	Offer Price under the Institutional Offer and Broker Firm Offer <b>\$2.21 per Share</b>
	Priority Offer Price under the Priority Offer <b>\$1.88 per Share</b>
	Market capitalisation at the Offer Price <sup>4</sup> <b>\$109.9 million</b>
	Pro forma historical net cash as at 30 June 2020 <sup>5</sup> <b>\$19.6 million</b>
	Enterprise Value at the Offer Price <sup>6</sup> <b>\$90.3 million</b>
	Enterprise value/pro forma FY21 forecast revenue <b>4.5x</b>
<p>1. The total number of Shares to be offered under the Offer does not include 0.9 million Shares being issued under this Prospectus at the Offer Price to entities controlled by Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).</p> <p>2. Includes Shares acquired under the Employee Gift Offer and Priority Offer and Shares issued to entities controlled by Drew Fairchild and Adem Karafili as described in Section 6.3.2.6.</p> <p>3. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.</p> <p>4. Market capitalisation at the Offer Price is calculated by multiplying the total number of Shares on issue at Completion by the Offer Price. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower.</p> <p>5. Excludes lease liabilities.</p> <p>6. Enterprise value is calculated by adding market capitalisation at the Offer Price and pro forma net debt or deducting net cash.</p>	
<i>For further information, see Key Offer Details</i>	

## 1. Investment Overview

### 1.7 Board and management

Topic	Summary
<b>Who are the Directors of the Company?</b>	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Adem Karafili (Executive Chairman);</li> <li>• Drew Fairchild (Managing Director);</li> <li>• Peter Cudlipp (Independent Non-Executive Director);</li> <li>• Kyriakos (Ken) Poutakidis (Independent Non-Executive Director); and</li> <li>• Michael East (Independent Non-Executive Director).</li> </ul> <p><i>For further information, see Section 6.1</i></p>
<b>Who are the Senior Management of the Company?</b>	<p>The senior management team includes:</p> <ul style="list-style-type: none"> <li>• Adem Karafili (Executive Chairman);</li> <li>• Drew Fairchild (Managing Director);</li> <li>• Kim Graves (Legal Counsel);</li> <li>• Andrew Rosengren (Strategy Advisor);</li> <li>• Sebastian Raeburn (Master Distiller);</li> <li>• Jason Redfern (Head of Sales and Brand – NED);</li> <li>• Ryan Buckle (Head of Sales and Brand – Grainshaker); and</li> <li>• Matthew Slade (Head of Marketing and Brands).</li> </ul> <p><i>For further information, see Section 6.2</i></p>

For further information, see Section 7.1.4

For further information, see Sections 6.3 and 7.4



## 1. Investment Overview

Topic	Summary
<b>Will any Shares be subject to restrictions on disposal following Completion?</b>	<p>Yes. At Completion, 77% of Shares held by Existing Shareholders will be subject to mandatory and voluntary escrow arrangements for up to 24 months following Completion.<sup>8</sup></p> <p><i>For further information, see Section 7.8</i></p>

### 1.9 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary														
<b>What is the Offer?</b>	<p>This Prospectus relates to an initial public offering to raise \$47.2 million, based on the issue of 15.9 million New Shares by Top Shelf and the sale of 5.5 million Sale Shares by SaleCo.</p> <p>All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with each other.</p> <p><i>For further information, see Section 7.1.1</i></p>														
<b>What is SaleCo and what is its involvement in the Offer?</b>	<p>SaleCo is a special purpose vehicle established to sell Existing Shares acquired from the Selling Shareholders. The Selling Shareholders have executed deeds under which they have irrevocably offered to sell certain Shares held by them to SaleCo free from encumbrances and third party rights and conditional on Settlement.</p> <p>SaleCo will acquire in total 5.5 million Shares from the Selling Shareholders.</p> <p><i>For further information, see Section 9.4</i></p>														
<b>What is the proposed use of funds raised under the Offer?</b>	<p>Funds raised from the issue of Shares under the Offer (totaling approximately \$35.0 million) will be applied by Top Shelf as follows:</p> <table> <tr> <td>Sales and marketing (including brand investment and sales labour costs)</td><td>\$4.9 million</td></tr> <tr> <td>Inventory and related storage asset capital expenditure</td><td>\$4.8 million</td></tr> <tr> <td>Eden Lassie farm final acquisition payment, capital expenditure and agave plant investment</td><td>\$2.7 million</td></tr> <tr> <td>General plant and equipment capital expenditure and R&amp;D investment</td><td>\$0.9 million</td></tr> <tr> <td>General working capital</td><td>\$8.5 million</td></tr> <tr> <td>Repayment of borrowings and shareholder loans</td><td>\$8.6 million</td></tr> <tr> <td>Offer transaction costs</td><td>\$4.6 million</td></tr> </table> <p>\$12.2 million will be paid to the Selling Shareholders in consideration for the sale of their Sale Shares to SaleCo.</p> <p><i>For further information, see Section 7.1.3</i></p>	Sales and marketing (including brand investment and sales labour costs)	\$4.9 million	Inventory and related storage asset capital expenditure	\$4.8 million	Eden Lassie farm final acquisition payment, capital expenditure and agave plant investment	\$2.7 million	General plant and equipment capital expenditure and R&D investment	\$0.9 million	General working capital	\$8.5 million	Repayment of borrowings and shareholder loans	\$8.6 million	Offer transaction costs	\$4.6 million
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Repayment of borrowings and shareholder loans	\$8.6 million														
Offer transaction costs	\$4.6 million														

8. Shares acquired by Eligible Persons under the Employee Gift Offer and Priority Offer will be escrowed from Completion until the earlier of three years from Completion or the Eligible Person ceasing employment.

Topic	Summary
<b>Will the Shares be quoted on the ASX?</b>	<p>Top Shelf will apply to ASX for admission to the Official List and quotation of Shares on the ASX under the code 'TSI'.</p> <p>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p><i>For further information, see Section 7.2</i></p>
<b>How is the Offer structured?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• the Broker Firm Offer, which is open to Australian retail clients of Brokers who have received a firm allocation from their Broker;</li> <li>• the Employee Gift Offer, which is open to Eligible Persons;</li> <li>• the Priority Offer, which is open to Eligible Persons who have received an invitation to participate in the Offer from the Company; and</li> <li>• the Institutional Offer, which consisted of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions.</li> </ul> <p><i>For further information, see Section 7.2</i></p>
<b>Is the Offer underwritten?</b>	<p>Yes. The Offer is fully underwritten by the Joint Lead Managers (except for the Employee Gift Offer).</p> <p><i>For further information, see Section 7.2</i></p>
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer, the Employee Gift Offer, the Priority Offer and the Institutional Offer was determined by agreement between the Joint Lead Managers and Top Shelf, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.7.2.</p> <p><b>Broker Firm Offer</b></p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p><b>Employee Gift Offer</b></p> <p>Under the Employee Gift Offer, Eligible Persons will be offered the opportunity to apply for \$1,000 worth of Shares at no cost.</p> <p><b>Priority Offer</b></p> <p>The allocation of Shares under the Priority Offer will be determined by the Company. A maximum of \$250,000 worth of Shares will be issued under the Priority Offer.</p> <p><b>Institutional Offer</b></p> <p>The allocation of Shares under the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company.</p> <p>Other than in relation to the Employee Gift Offer, the Joint Lead Managers and the Company have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Joint Lead Managers and the Company also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p> <p><i>For further information, see Section 7.3.4, 7.4.4, 7.5.4 and 7.7.2</i></p>

## 1. Investment Overview

Topic	Summary
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisitions of Shares under the Offer.</p> <p><i>For further information, see Section 7.2</i></p>
<b>What are the tax implications of investing in the Shares?</b>	<p>The tax consequences of any investment in Shares will depend upon your particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p> <p><i>For further information, see Section 9.11</i></p>
<b>When will I receive confirmation that my Application has been successful?</b>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 7 December 2020.</p> <p><i>For further information, see Section 7.3.5, 7.4.4 and 7.5.5</i></p>
<b>How can I apply for Shares?</b>	<p>You may apply for Shares by completing a valid Application Form (attached to or accompanying this Prospectus).</p> <p>To the extent permitted by law, an Application under the Offer is irrevocable.</p> <p><i>For further information, see Section 7.3.2, 7.4.2 and 7.5.2</i></p>
<b>Can the Offer be withdrawn?</b>	<p>The Company and SaleCo reserve the right not to proceed with the Offer at any time before Completion of the Offer.</p> <p>If the Offer does not proceed, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p> <p><i>For further information, see Section 7.10</i></p>
<b>When can I sell my Shares on ASX?</b>	<p>It is expected that the dispatch of the holding statements will occur on 7 December 2020 and trading of the Shares on ASX will commence on or about 10 December 2020.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p> <p><i>For further information, see Section 7.11</i></p>
<b>Where can I find more information about this Prospectus or the Offer?</b>	<p>Please call the Top Shelf Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am until 5.30pm (Melbourne time) Monday to Friday.</p> <p>If you are unclear about any matter or are uncertain as to whether Top Shelf is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p> <p><i>For further information, see Important Notices</i></p>





## 2.

### Industry Overview

## 2. Industry Overview

### 2.1 Australian alcoholic beverages market overview

Top Shelf is an Australian diversified branded spirits company and principally operates in the Australian bottled spirits and spirit based 'ready to drink' (RTD) product markets, which are part of the broader Australian alcoholic beverages market. This Section is intended to provide an overview of the size and industry trends for these markets.

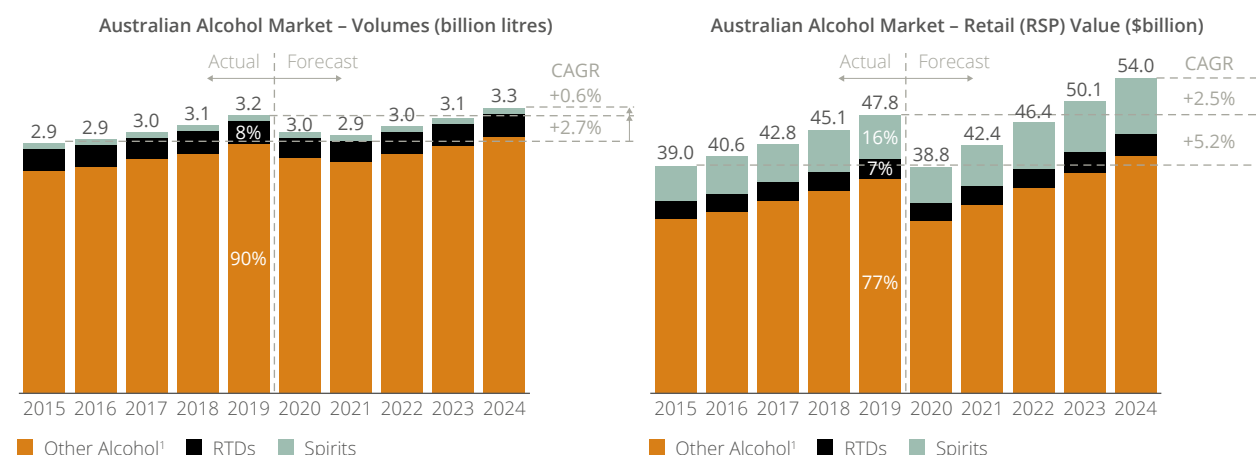
In addition, Top Shelf provides third party bottling and packaging services to customers. This Section also provides an overview of the bottling and packaging market in Australia.

#### 2.1.1 Overview and trends

##### 2.1.1.1 A large and low growth Australian alcohol market

Euromonitor estimates that retail sales of alcoholic drinks in Australia were \$47.8 billion in total value and 3.2 billion litres in total volume in 2019.<sup>9</sup> Beer and wine were the most popular beverages collectively representing approximately 74% (\$35.5 billion) by value and 86% by volume (2.7 billion litres). Spirits and RTDs constituted approximately 23% by value (\$11.1 billion) and 10% by volume (328 million litres) with the remaining share being made up of ciders/perry. There is a trend towards increased consumption of premium priced alcohol products in Australia<sup>10</sup>.

**Figure 2.1: Australian alcohol market, 2015 to 2024 (forecast)**  
(volume in billion litres; retail sales value in \$ billion)<sup>11</sup>



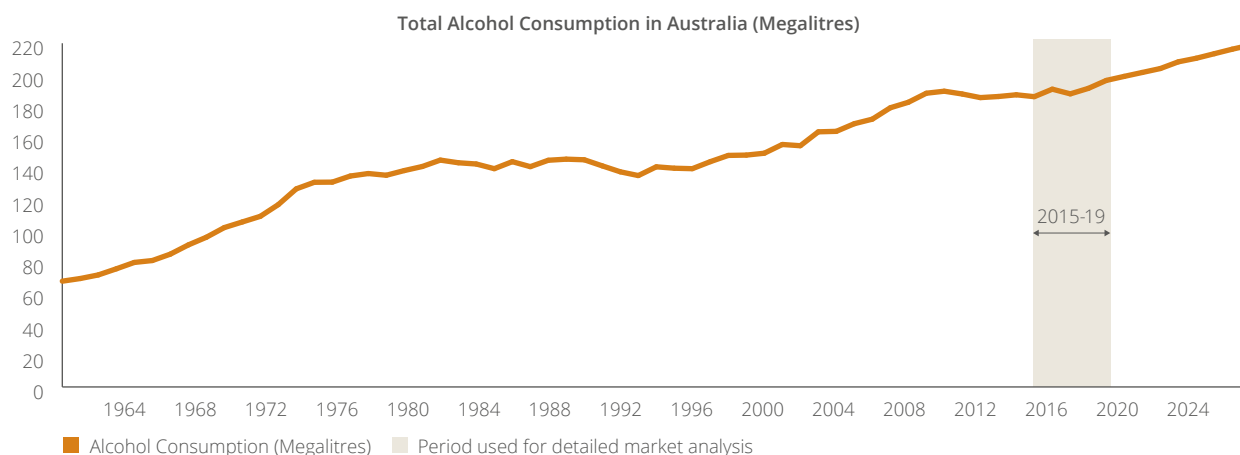
1. Other alcohol includes beer, wine, cider/perry.

The recent historical growth in alcohol consumption in the period between 2015 and 2019 is consistent with the long-term consumption growth trend seen in Australia over the past 50 years of low and consistent growth over time (refer to Figure 2.2 below).

9. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

10. Liquor Retail in Australia, IBIS Report May 2020.

11. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Other alcohol category predominantly includes beer and wine, and also includes cider/perry and other alcoholic drinks not otherwise described.

**Figure 2.2: Total alcohol consumption in Australia, 1960 to 2030 (forecast) (megalitres)<sup>12</sup>**

IBISWorld anticipates that total alcohol consumption in Australia will increase at an annualised growth rate of 1.4% over the five years to June 2025 to a total of 213.3 megalitres (measured in megalitres of pure alcohol available for consumption).

This growth in consumption is largely driven by forecast population growth (of persons above 18 years of age) that more than offsets continuing trends of declining per capita alcohol consumption. Social factors such as an ageing population, changing consumer tastes, drink driving laws and education and increasing health consciousness are the key drivers of declining alcohol consumption per capita. While volume per capita has been in decline, value per capita has been consistently growing as consumers shift their product mix from beer and wine to spirits and as a result of an enduring premiumisation trend in alcohol consumption.

#### 2.1.1.2 The premiumisation trend

Rising health and wellness consciousness has resulted in products with lower sugar content and health attributes being launched and is one of the main reasons for declining per capita alcohol consumption and for consumers drinking lower quantities overall but of higher quality and higher priced alcohol products (a trend known as premiumisation). The general trend in increased consumption of premium priced alcohol products in Australia is evidenced by the retail sales value CAGR of 5.2% from 2015 to 2019 being nearly double the volume CAGR of approximately 2.7% in total over the same period.<sup>13</sup>

Along with the health and wellness trend, there has been a general shift in demand to products positioned to be of higher quality or distinctive, and which are also typically a higher value. This in turn has driven the sales growth of smaller local craft breweries and distilleries and demand for premium overseas products such as Japanese whisky. In addition, the growth in craft spirits and cocktails has increased the interest in tequila, mezcal and agave products – a trend that has also been supported by celebrity investments in alcohol brands such as Casamigos tequila (George Clooney) and DeLeon tequila (Sean Combs).

Premiumisation is expected to remain a defining trend in alcoholic drinks in Australia over the long term, and consistent with these trends, alcoholic beverages are expected to see higher total value growth relative to volume growth over the long term.

#### 2.1.1.3 Spirits consumption per capita and spirit share of total alcohol consumption continues to increase

The composition of alcohol consumption has changed over the past 15 years. Traditionally, Australians have favoured beer more than any other alcoholic beverage. In the mid 1970's beer represented over 70% of consumption per capital but has been in consistent decline to be just under 40% in March 2020 and below the level of wine at just over 40%.<sup>14</sup>

12. IBISWorld, Total Alcohol Consumption Report, November 2019.

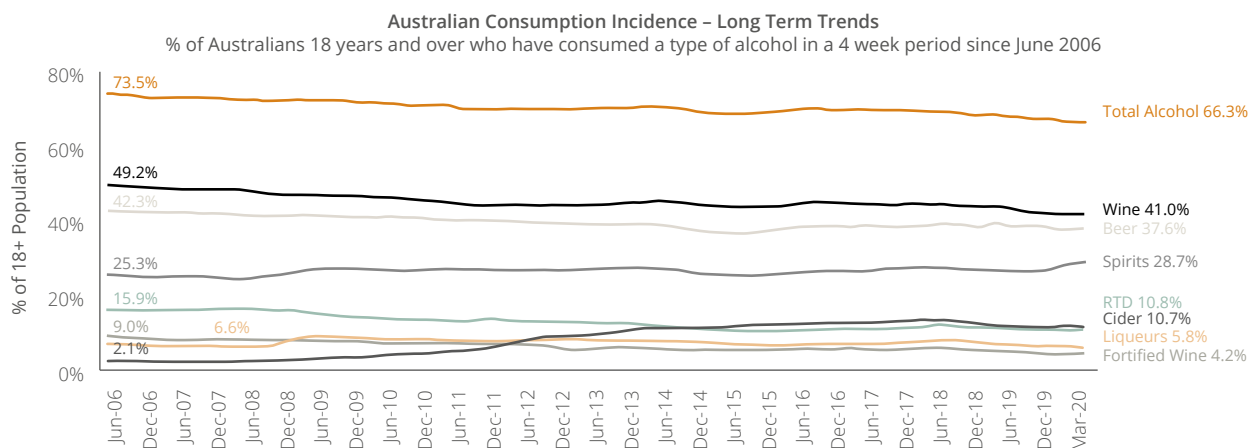
13. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

14. Roy Morgan, The Alcohol Report, March 2020.



## 2. Industry Overview

Figure 2.3: Australian consumption incidence, June 2006 to March 2020<sup>15</sup>



Source: Roy Morgan, The Alcohol Report, March 2020

Over the past 15 years, there has been growth in the consumption of spirits relative to other alcohol categories and against the trend of overall alcohol consumption being in decline. Drivers for the increase in consumption of spirits include the premiumisation trends described in Section 2.1.1.2 above; the increasing sophistication of consumer tastes; the increasing popularity of cocktails – particularly in the home; and an increasing supply for locally distilled varieties of spirits. The number of craft distilleries has substantially grown over the past 5 years, with demand for spirits distilled with native botanicals, such as pepperberry and lemon myrtle, rising significantly. This has led to a corresponding increase in the availability of these emerging spirit products in retail outlets that has further boosted segment revenues. These products are priced at a premium, boosting returns, and therefore attractiveness, for retailers. Furthermore, due to increasing product innovation, sales of RTDs have increased since 2016 after a period of consistent decline following the Federal government's introduction of a 70% tax increase on RTDs in 2008 (the 'alcopops' tax).

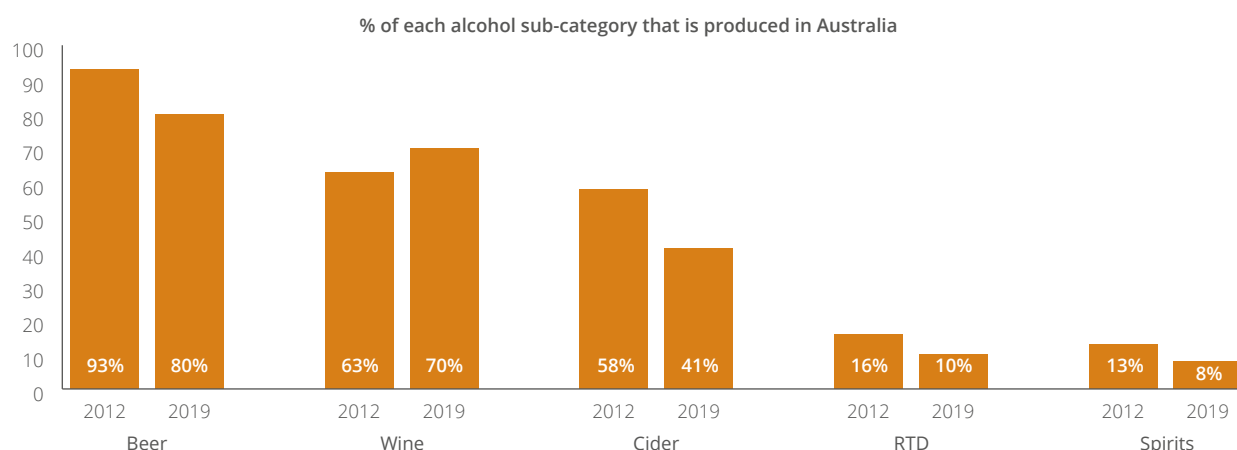
Top Shelf is seeking to benefit from the trends supporting the growth in spirits consumption, including premiumisation, via its distinctive branded products and scale craft business model, and is also aiming to benefit from the attractive margin opportunities that are expected to exist in the high quality spirits category.

### 2.1.1.4 Australian produced spirits comprise a relatively low proportion of the total Australian spirits market and a much lower proportion when compared with locally produced beer and wine

Contrary to the beer and wine categories, most bottled spirits sold in Australia are imported (approximately 92% of all bottled spirits in 2019). Top Shelf management believes that the potential to grow the local spirits market is high although local producers need to reach a sufficient scale in order to achieve accessible price points to successfully compete against the larger imported brands.

15. Roy Morgan, The Alcohol Report, March 2020.

Figure 2.4: Australian production of alcohol by sub-category (percentage, 2012 and 2019)<sup>16</sup>

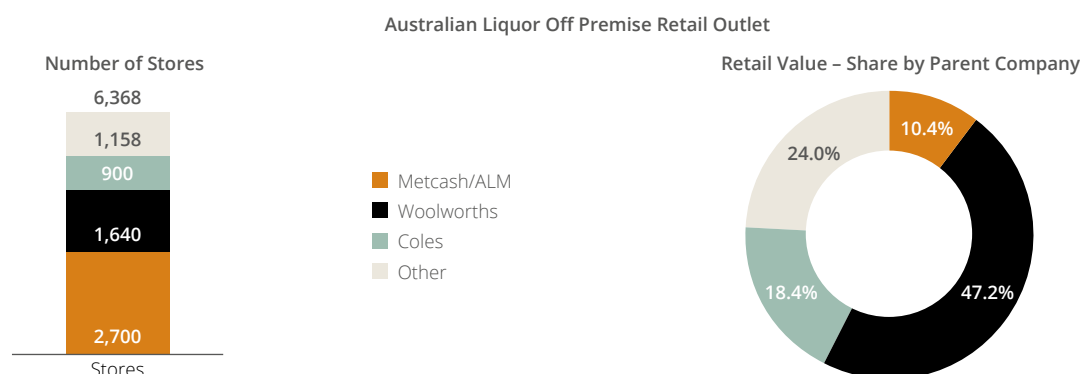


#### 2.1.1.5 The alcohol retail market is consolidated

The off-premise alcohol retail market in Australia (retail locations where alcohol is sold for consumption 'off-premise', i.e. at home as opposed to in pubs, bars, and other licensed venues) is estimated to consist of over 6,300 outlets and is dominated by Woolworths, Coles and Metcash (through their subsidiary Australian Liquor Merchants (**ALM**)).<sup>17</sup> Woolworths and Coles have a strong position in both bricks-and-mortar stores (including Dan Murphy's and Liquorland respectively) and online alcohol sales. They accounted for approximately 70% of online liquor retail sales in Australia in 2019.<sup>18</sup> This strong market position has come from a consistent trend of both expanding their product range and improving service options (such as delivery).

To increase competitiveness with Coles and Woolworths, many independent liquor retailers have joined retail banner groups. Banner names include Independent Brands Australia (**IBA**) (which trades under Cellarbrations, IGA Liquor and Porters, amongst others and is supplied by Metcash via ALM), and Liquor Marketing Group (which trades under Bottlemart, Sip n Save and Harry Brown). IBA is the industry's largest banner group, estimated to account for 10.4% of Australian alcohol retail sales revenue in FY20.<sup>19</sup>

Figure 2.5: Australian off-premise retail outlets and retail sales value (percentage) by retail group in 2019<sup>20</sup>



Source: Company estimates based on IBISWorld Liquor Retailing in Australia May 2020

Top Shelf currently supplies 1,434 IBA outlets via a national ranging, and has access to approximately 1,302 additional stores through other IBA independent outlets.

16. Company estimates from Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

17. Liquor Retail in Australia, IBIS Report May 2020.

18. Liquor Retail in Australia, IBIS Report May 2020.

19. Liquor Retail in Australia, IBIS Report May 2020.

20. Liquor Retail in Australia, IBIS Report May 2020.

## 2. Industry Overview

### 2.1.1.6 On-premise consumption has significantly decreased as a result of COVID-19 related restrictions, however, long term trends are expected to remain positive for on-premise consumption

The public health restrictions associated with COVID-19 have had a major impact on the consumption of alcohol in pubs, bars, restaurants and other public licenced venues (referred to as 'on-premise') in 2020. With on-premise retail sales forecast to be down more than 40% in 2020 compared to on-premise retail sales of alcohol in 2019.<sup>21</sup> It is expected to take between 2 to 3 years to return to pre-COVID-19 on-premise sales levels with some uncertainty around potential customer behavioural changes following recent increased consumption in the home and utilisation of online delivery services.

Prior to COVID-19 there had been a steady growth in the number of smaller licenced bars in each Australian capital city.<sup>22</sup> Many of these bars specialise in particular spirits such as whisky or gin and are supportive of a vibrant craft culture. Changes in regulation around opening hours, such as the removal of 'lock out laws' in Sydney, have the potential to positively influence on-premise consumption going forward.

There are estimated to be nearly 8,500 on-premise venues such as pubs, bars and nightclubs in Australia.

**Figure 2.6: Australian on-premise venues (pubs, bars and nightclubs) and retail sales value (percentage) by parent group in 2019<sup>23</sup>**



### 2.1.1.7 The shift to using e-commerce for purchasing alcohol has received a major boost during COVID-19

Online liquor sales represented the fastest growing segment of the alcohol retail market in 2019, with this trend forecast to continue.<sup>24</sup> An online store allows retailers to provide convenience, a greater product range, and the ability to stock rare or expensive products that may not be cost-effective in a bricks-and-mortar outlet. Approximately 70% of Australians say they now drink most often at home or at a friend's home.<sup>25</sup> As a result, online purchase and delivery systems are likely to become increasingly popular in the coming years.

### 2.1.1.8 Taxation has a material impact on the overall sales price of alcoholic products

Changes to government regulations and taxes are also expected to continue to influence alcohol consumption rates. The Federal Government's implementation of its 'alcopop' tax in 2008 (increasing the alcohol excise tax on RTDs by 70%) caused total consumption of RTDs to fall.<sup>26</sup> However, RTD consumption has risen slightly over the past five years from 2015 to 2019<sup>27</sup>, predominantly driven by successful marketing campaigns and a range of producer product innovation. Similarly, changes in licensing laws (such as the lockout laws introduced in Sydney in 2014) can impact overall alcohol consumption levels and the distribution of consumption between on-premise and off-premise.

21. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

22. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

23. Liquor Retail in Australia, IBIS Report May 2020.

24. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

25. Pubs, Bars and Nightclubs in Australia, IBIS Report May 2020.

26. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

27. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).

## 2.2 Australian spirit and spirit based RTD market overview

### 2.2.1 Overview

#### 2.2.1.1 Bottled spirits overview

Approximately 69.6 million litres of bottled spirits were sold in Australia in 2019, generating retail sales of approximately \$7.7 billion. The premiumisation trend in bottled spirits is evidenced by a retail sales value CAGR of 5.8% from 2015 to 2019 in bottled spirits, which is more than three times the volume CAGR of 1.8% in bottled spirits over the same period. According to Euromonitor, the trends for retail value and volume consumption are expected to persist from 2020 to 2024, with a retail sales value CAGR of 11.5% in bottled spirits double the consumption volume CAGR of 5.0% in bottled spirits over the same period.<sup>28</sup>

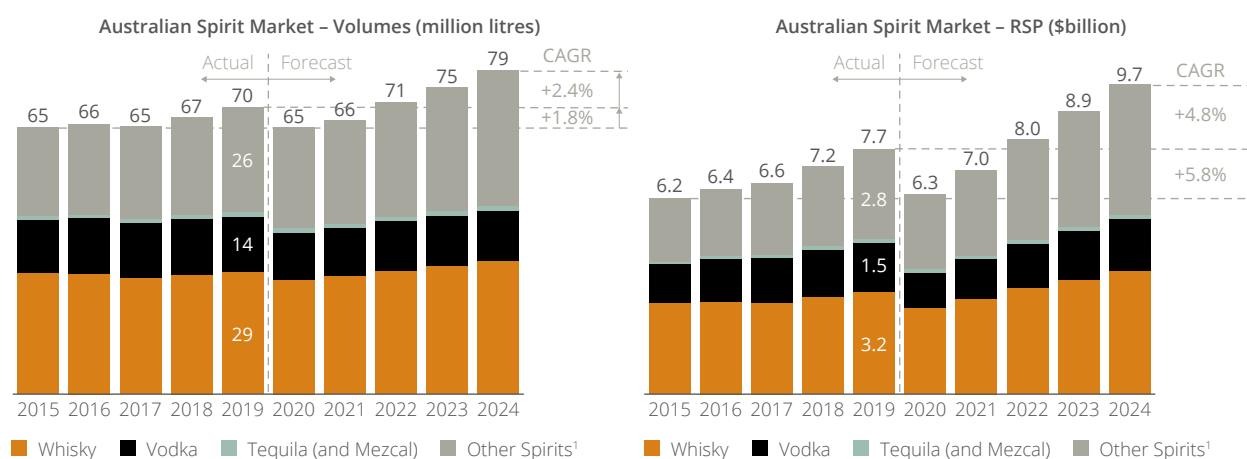
Whisky is the largest bottled spirits product category, at 29.5 million litres and \$3.2 billion in retail sales value and comprising approximately 42% of the bottled spirits market by volume and value in 2019. This is followed by vodka which comprised approximately 13.5 million litres (19% of the bottled spirits market volume) and \$1.5 billion in retail sales (20% of the bottled spirits market value). Tequila volumes were approximately 1.1 million litres and \$119 million in retail sales, making up just 1.5% of the bottled spirits market.<sup>29</sup>

In the near term, growth in Australian bottled spirits sales is likely to drop as a consequence of COVID-19 related public health restrictions imposed by State governments across Australia, with on-premise retail sales value is forecast to drop approximately 48% in 2020 compared to on-premise retail sales of bottled spirits in 2019.<sup>30</sup> This drop is not expected to be fully covered by increasing off-premise sales.

By volume, off-premise sales represented over 89% of the overall channel-to-market for spirits but this share dropped to approximately 70% by retail sales value in 2020 due to the higher retail value of on-premise consumption.<sup>31</sup> On-premise sales typically have a higher value due to higher retailer margins on spirits products which are charged to consumers in order to cover higher operating costs of on-premise retailers compared to off-premise retailers.

To date, due to whisky availability constraints,<sup>32</sup> Top Shelf has not sold any NED product through on-premise channels. Top Shelf expects to commence on-premise sales of Grainshaker in FY21 as part of its diversified distribution strategy.

**Figure 2.7: Australian spirit market, 2015 – 2024 (forecast) (volume in million litres, retail sales value in \$ billion)<sup>33</sup>**



28. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

29. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

30. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

31. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

32. Australian whisky is required to be made from Australian cereal grains and matured in wood for a minimum two years.

33. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

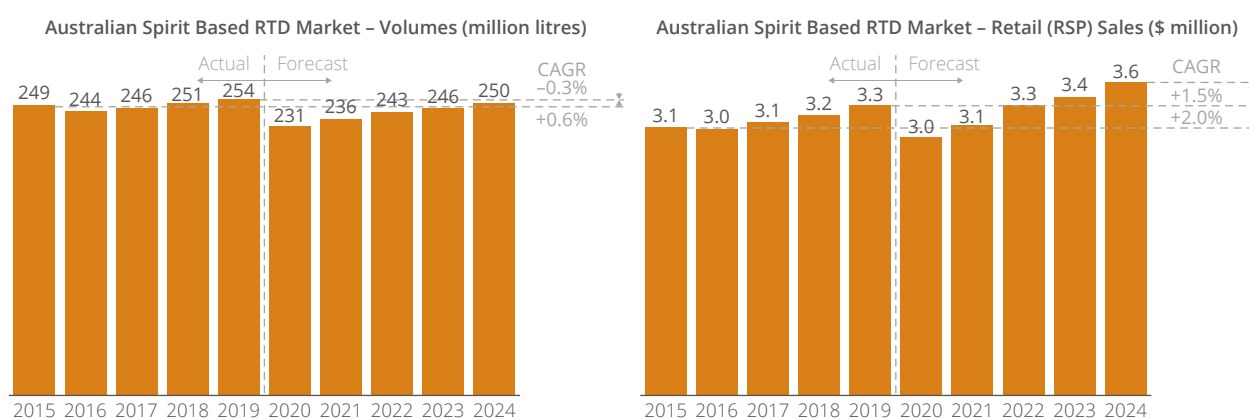


## 2. Industry Overview

### 2.2.1.2 Spirit based RTD products overview

Approximately 254 million litres of spirit based RTD products were sold in Australia in 2019, generating retail sales of approximately \$3.3 billion. After 6 to 8 years of declining demand as a consequence of the introduction of the 'alcopop' tax in 2008 (a 70% increase to the alcohol excise tax for RTDs which caused prices of RTD products to increase), demand for spirit based RTD products have somewhat recovered since 2016, recording a volume CAGR of approximately 0.6% from 2015 to 2019.<sup>34</sup> RTD products have been a leading category in innovation for healthier beverage alternatives with low sugar, low calorie and cocktail mixes products coming to market. There are signs that the surge in hard seltzers in the USA will translate to the Australian market which is also expected to support RTD category growth.<sup>35</sup>

**Figure 2.8: Australian spirit-based RTD market, 2015 – 2024 (forecast)**  
(volume in litres; retail sales value in \$ billion)<sup>36</sup>



### 2.2.2 Bottled spirits – whisky

Approximately 29.5 million litres of bottled whisky were sold in Australia in 2019, generating retail sales of approximately \$3.2 billion. Despite limited volume growth, the bottled whisky market has exhibited value growth of approximately 2.9% CAGR from 2014 to 2019 due to premiumisation and other trends described in Sections 2.1.1.2 and 2.1.1.3 above.<sup>37</sup> The value of the total whisky market is expanded when taking into account the whisky based RTD market, which generated additional retail sales of approximately \$2.0 billion in Australia in 2019.<sup>38</sup>

The Australian bottled whisky market is dominated (96%+) by imported products. Approximately 40% of retail sales in 2019 was Bourbon style whiskies from the USA. 40% was blended or single malt scotch whisky, with the remaining sourced from a mix of Canada (8%), Ireland (6%) and Japan (2%). Despite over 300 individual whisky brands being available in Australia, there continues to be a high degree of consolidation by product and by parent company ownership of the brands. As shown in Figure 2.10 below, seven products/brands made up 50% of the market by retail sales value in Australia in 2019 including Jim Beam White, Wild Turkey, Jack Daniel's, Johnnie Walker Red Label, Canadian Club, Johnnie Walker Black Label and Jameson. Some 17 products/brands comprised 80% of the market by volume. Canadian Club has been the biggest mover, growing from 5% to 9% of the market by volume between 2012 and 2019.

34. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

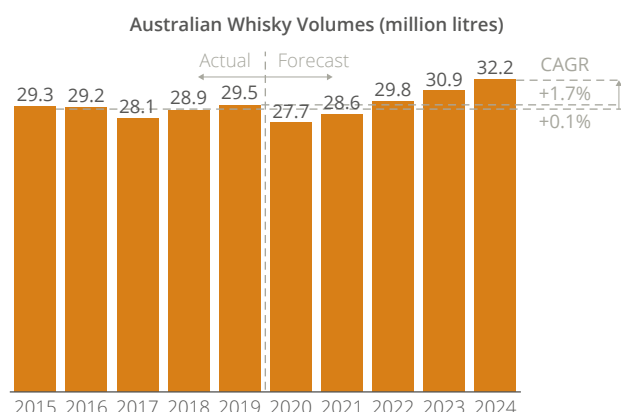
35. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

36. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

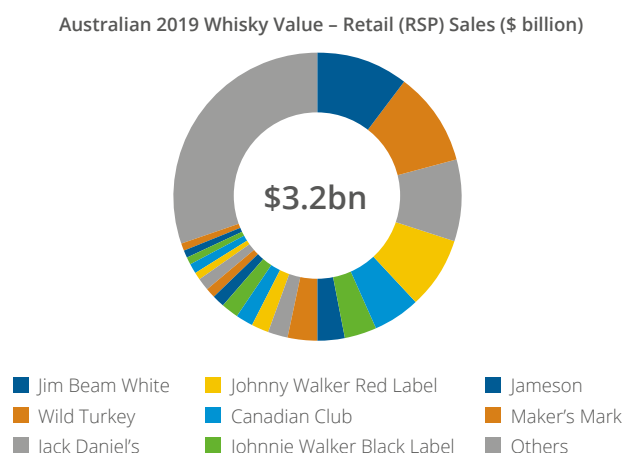
37. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

38. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

**Figure 2.9: Australian bottled whisky volumes, 2015 – 2024 (forecast) (million litres)<sup>39</sup>**



**Figure 2.10: Australian bottled whisky retail sales value, 2019 (\$ billion)<sup>40</sup>**



Growth in retail sales has come from consumers seeking to explore new domestic and international craft offerings, which has led to average prices increasing by 3% over 2015 to 2019.<sup>41</sup> Japanese whisky is the most overt example of this recording 16% CAGR volume growth over the same period.<sup>42</sup> The surge in sales of Japanese whisky continued to be supported by local consumers showing a greater interest in Japanese food and culture as well as the perception that Japanese whisky is a premium spirits choice. Notably, the unit price of Japanese whisky in 2019 is higher than the weighted average pricing for the whisky category. The scarcity of Japanese whisky also contributed to the demand for the product.

Whisky produced in Australia is estimated to represent less than 2% of the overall bottled whisky market<sup>43</sup>, with most products targeted at super premium range of approximately \$80+ per 700ml bottle. The growth of micro-distilleries and the premiumisation trend have encouraged the growth of local craft spirits and cocktails. While there are approximately 50 active whisky distilleries in Australia, Tasmania has become an epicentre of a local craft whisky boom with an estimated 22 distilleries in operation today. Key Tasmanian distilleries include Lark Distillery, Sullivan's Cove and Hellyers Road. Other key distilleries around the country include: Archie Rose and Manly Spirits in Sydney; Starward and Bakery Hill in Victoria; and Limeburners in Western Australia. The dominant style of whisky in Australia is single malt Scottish whisky. A number of these distilleries have achieved international award recognition including Sullivan's Cove in 2014, Archie Rose in 2017 and Limeburners in 2020. While the number of distilleries and support for local products is expected to grow, the predominant price point of between \$80 to \$100 per bottle remains an impediment to broader consumer uptake, a trend that is expected to continue.

39. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

40. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

41. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

42. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020).


43. Company estimate.

## 2. Industry Overview

Top Shelf's NED bottled whisky is seeking a distinctive positioning from other Australian whiskies in three areas:

1. **Style:** by focusing on a style more aligned with the American bourbon than the single malt Scottish whisky focus of other Australian producers;
2. **Scale:** Top Shelf's installed bottled whisky distilling capacity is equivalent to approximately 5% of the current Australian retail whisky market (by volume); and
3. **Price:** NED is positioning in the \$50 to \$60 range per bottle to enable it to compete at scale with key international brands such as Jameson, Johnnie Walker Black and Johnnie Walker Green.

Figure 2.11: NED Whisky's price positioning versus local and international competitors<sup>44</sup>

Pricing	Value \$30	→ Mainstream \$40	→ Premium \$50	→ Super Premium \$60	\$70	\$80	\$90	\$100+
Scotch/ Bourbon	<ul style="list-style-type: none"> <li>• Johnnie Walker Red</li> <li>• Cougar</li> <li>• Grants</li> <li>• Canadian Club</li> <li>• Ballantines</li> </ul>	<ul style="list-style-type: none"> <li>• Jim Beam White</li> <li>• Jack Daniels</li> <li>• Wild Turkey</li> <li>• Jameson</li> <li>• Chivas 12</li> </ul>	<ul style="list-style-type: none"> <li>• Gentleman Jack</li> <li>• Monkey Shoulder</li> <li>• Johnnie Walker Black</li> <li>• Woodford Reserve</li> </ul>	<ul style="list-style-type: none"> <li>• Johnnie Walker Green</li> <li>• Johnnie Walker Gld</li> <li>• Jim Beam Black</li> <li>• Makers Mark</li> <li>• Glenfiddich</li> <li>• Glenlivet 12</li> </ul>	<ul style="list-style-type: none"> <li>• Glenmorangie 10</li> <li>• Talisker Storm</li> <li>• Laphroaig</li> </ul>	<ul style="list-style-type: none"> <li>• Aberlour</li> <li>• Talisker 10</li> </ul>	<ul style="list-style-type: none"> <li>• Chivas 18</li> <li>• Lagavulin</li> <li>• Balvenie Double</li> <li>• Macallan</li> </ul>	<ul style="list-style-type: none"> <li>• Johnnie Walker Blue</li> <li>• Royal Salut</li> <li>• Ultis</li> </ul>
Australian		Filling out an important space in the Australian spirits category 		<ul style="list-style-type: none"> <li>• Starward</li> <li>• The Grove</li> </ul>	<ul style="list-style-type: none"> <li>• 23<sup>rd</sup> Street Distillery</li> <li>• The Gospel</li> <li>• Tasmania Spirit</li> </ul>	<ul style="list-style-type: none"> <li>• Whipper Snapper</li> </ul>	<ul style="list-style-type: none"> <li>• Hellyers Road</li> <li>• Old Kempton</li> <li>• Corowa</li> </ul>	<ul style="list-style-type: none"> <li>• Archie Rose</li> <li>• Limeburner</li> <li>• Lark</li> <li>• Launceston</li> </ul>
Japanese					<ul style="list-style-type: none"> <li>• Suntory</li> <li>• Akashi</li> <li>• Kamitaka</li> </ul>	<ul style="list-style-type: none"> <li>• Tenjaku</li> <li>• Kirin</li> </ul>	<ul style="list-style-type: none"> <li>• The Chita</li> <li>• Mars</li> <li>• Nikka</li> </ul>	<ul style="list-style-type: none"> <li>• Yamazakura</li> <li>• Hakushu</li> <li>• Wakatsuru</li> </ul>
% of total market value	53%		27%	8%	11%			

These local and international competitors have not authorised or caused the issue of this Prospectus nor have they made any statement in this Prospectus. Accordingly, these competitors make no representation regarding, and take no responsibility for, any statement or material in, or omission from, this Prospectus.

### 2.2.3 Bottled spirits – vodka

Approximately 13.5 million litres of bottled vodka was sold in Australia in 2019, generating retail sales of approximately \$1.5 billion. The value of the total vodka market is expanded further when considering the vodka based RTD market, which generated additional retail sales of approximately \$0.4 billion in Australia in 2019. While the market has experienced a moderate volume CAGR of 1.3% from 2015 to 2019, value growth has been nearly five times this rate over the same period as a result of premiumisation trends (refer to section 2.1.1.2 above) and an increase in new craft products, a trend that has seen the market leader Smirnoff lose market share over the past five years.<sup>45</sup>

The Australian bottled vodka market is dominated by imported products, particularly those from Europe. Eight brands made up nearly 50% of the market by retail sales in 2019 being Smirnoff Red, Absolut, Vodka O, Russian Standard, Belvedere, Grey Goose, Crystal Head and Finlandia.<sup>46</sup>

44. Company estimates based on prices of 700ml bottles available at online retail outlets including Shop My Local, Dan Murphy's and BWS.

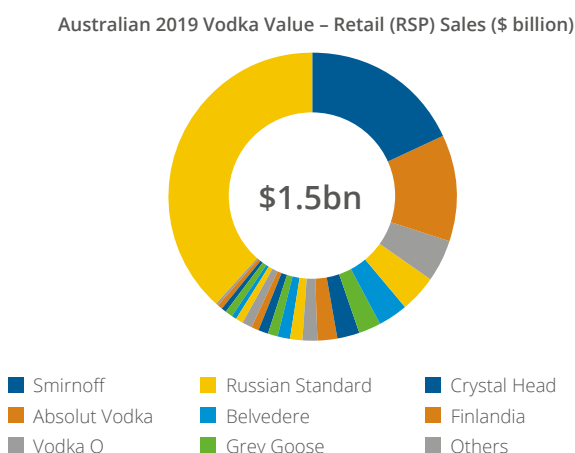
45. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

46. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

**Figure 2.12: Australian bottled vodka volume, 2015 – 2024 (forecast) (million litres)<sup>47</sup>**



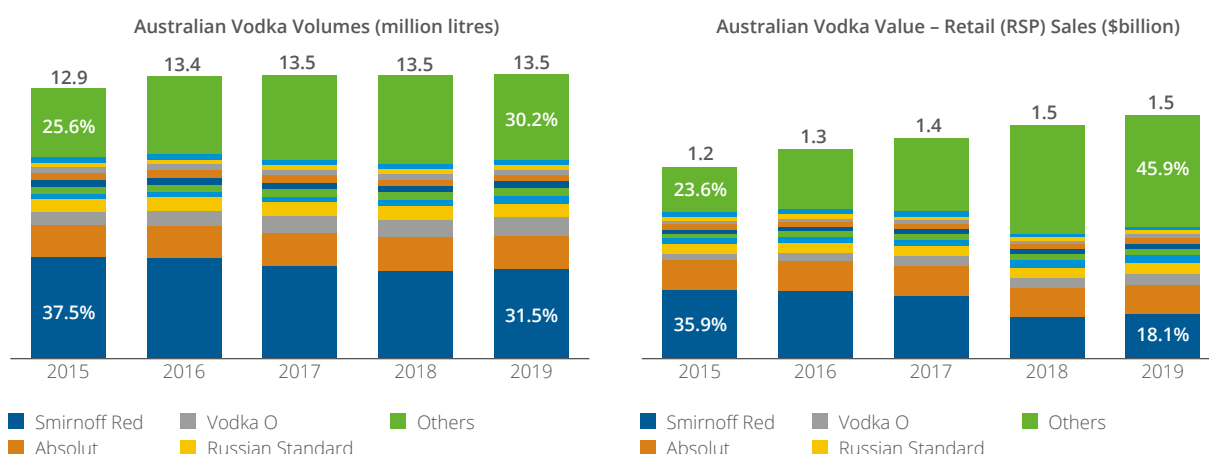
**Figure 2.13: Australian bottled vodka retail sales value, 2019 (\$ billion)<sup>48</sup>**



The last few years has seen material changes to brand market shares in the Australian vodka market. The market entry of a range of craft manufacturers has seen both a drop of market concentration of the leading products and value growth far outstripping volume growth over 2015 to 2019. The top 11 brands have dropped four percentage points in volume share over the past five years from 74% to 70% while retail sales value share has dropped from 76% to 54% over the same period.<sup>49</sup> Like gin, the vodka category has benefited from an increase in craft and the shift to premiumisation.<sup>50</sup>

These are the trends that Top Shelf's Grainshaker vodka is seeking to exploit.

**Figure 2.14: Australian bottled vodka volumes and retail sales value by leading brands, 2015 – 2019 (volume in million litres; retail sales value in \$ billion)<sup>51</sup>**



47. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

48. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

49. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

50. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

51. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.



## 2. Industry Overview

The Australian vodka manufacturing industry has a similar number of participants as whisky, with an estimated 50 producers distributed geographically around the country with little geographic concentration. The most successful Australia brand is Vodka O, which managed to reach number three in retail sales value in the market in 2019 and is now owned by Asahi. It is retail priced in the \$40 per 700ml bottle range and seeks to compete with Smirnoff, Absolut and similar European brands, achieving retail sales of approximately \$75 million in 2019. Other prominent Australian brands include Archie Rose, 23rd Street Distillery, Vodka Plus, Manly Spirits, Sydney Vodka, Old Kempton Distillery, and The Grove Distillery. Approximately 85% of the Australian vodka market is retail priced between the \$55 to \$90 per 700ml bottle.

Top Shelf's Grainshaker vodka is seeking a retail price positioning at the low end of this \$55 to \$90 range to be price competitive relative to other Australian vodkas and to compete with the premium international brands such as Grey Goose, Belvedere and Tito's.

**Figure 2.15: Grainshaker Vodka's price positioning versus local and international competitors<sup>52</sup>**

Pricing	Value → Mainstream → Premium → Super Premium →							
	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100+
<b>Global Vodka</b>	<ul style="list-style-type: none"> <li>• Ruskov</li> <li>• Red Square</li> <li>• Finlandia</li> <li>• Smirnoff red</li> <li>• Mishka</li> <li>• Russian Standard</li> </ul>	<ul style="list-style-type: none"> <li>• Absolut</li> <li>• 42 Below</li> <li>• Skyy</li> <li>• Polsakov</li> <li>• Poliakov</li> </ul>	<ul style="list-style-type: none"> <li>• Tito</li> </ul>	<ul style="list-style-type: none"> <li>• Stolichnaya</li> <li>• Belvedere</li> <li>• Reyka</li> <li>• Ciroc</li> <li>• Grey Goose</li> </ul>	<ul style="list-style-type: none"> <li>• Crystal Head</li> </ul>	<ul style="list-style-type: none"> <li>• Chopin</li> </ul>		<ul style="list-style-type: none"> <li>• Crystal Head (Aurora)</li> </ul>
<b>Australian Vodka</b>	<ul style="list-style-type: none"> <li>• Vodka O</li> <li>• Vodka &amp;</li> </ul>	Filling out an important space in the Australian spirits category 		<ul style="list-style-type: none"> <li>• 666 Vodka</li> <li>• Vodka 6100</li> <li>• Hunter Distillery</li> <li>• Bondi Blue</li> <li>• 23rd Street Distillery</li> </ul>	<ul style="list-style-type: none"> <li>• Vodka +</li> <li>• Avosh</li> <li>• McHenry</li> </ul>	<ul style="list-style-type: none"> <li>• Hipacampus</li> <li>• Archie Rose</li> <li>• Manly Spirits</li> </ul>	<ul style="list-style-type: none"> <li>• Old Youngs</li> <li>• Hartshorn</li> </ul>	
<b>% of total market value<sup>1</sup></b>	60%		23%	12%	1%			

These local and international competitors have not authorised or caused the issue of this Prospectus nor have they made any statement in this Prospectus. Accordingly, these competitors make no representation regarding, and take no responsibility for, any statement or material in, or omission from, this Prospectus.

52. Company estimates based on prices of 700ml bottles available at online retail outlets including Shop My Local, Dan Murphy's and BWS.

2.2.4 Bottled spirits –agave spirits

Approximately 1.1 million litres of bottled tequila and agave (products such as tequila and mezcal are distilled from agave plants) were sold in Australia in 2019, generating retail sales of approximately \$119 million. The market has experienced approximately double the volume CAGR of the overall spirits category at 4.5% from 2015 to 2019, with a value CAGR higher at 6.4% over the same period.<sup>53</sup> Growth rates reflect the trend seen in the USA where the volume CAGR of tequila and mezcal products has been approximately 7.5% over the same period.<sup>54</sup>

The bottled tequila and agave spirit market in Australia is entirely serviced by imported products and dominated by two brands, José Cuervo and Patron XO, which represented 51% of 2019 sales volumes in Australia. The more premium Patron XO has grown market share strongly over the past five years and largely at the expense of José Cuervo.<sup>55</sup>

Figure 2.16: Australian bottled tequila volume, 2015 – 2024 (forecast) (million litres)<sup>56</sup>

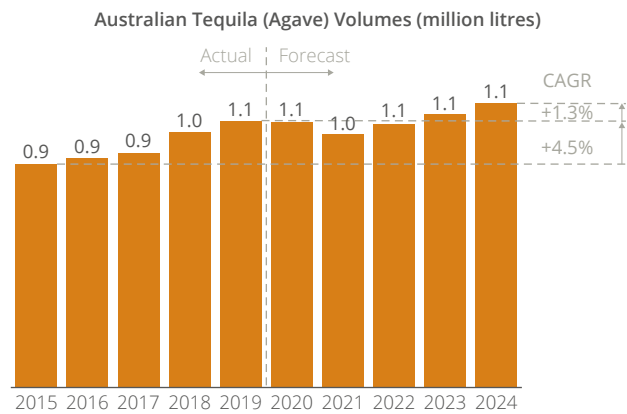
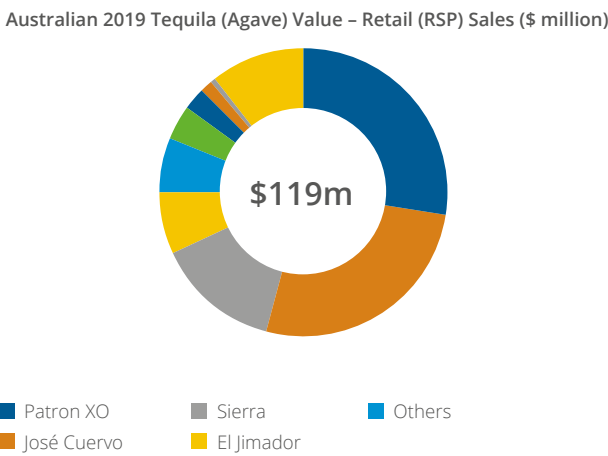


Figure 2.17: Australian bottled tequila retail sales value, 2019 (\$ billion)<sup>57</sup>



While agave remains a relatively niche product in Australia, the expected future category growth of agave products is expected to be positive with more local consumers becoming interested in the story behind, and provenance of, a tequila or agave brand.<sup>58</sup> Further, tequila is one of the most popular choices for homemade cocktails, indicating that mezcal and other successful agave products may also benefit from this demand trend.

Top Shelf’s development of an agave based spirit product and brand of Australian provenance is expected to be supported by these growth and consumption trends in the medium term.

53. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

54. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

55. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

56. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

57. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

58. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

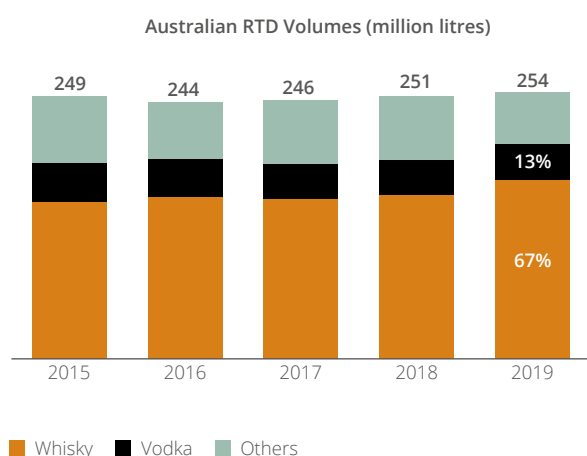
## 2. Industry Overview

### 2.2.5 Spirit based RTD products

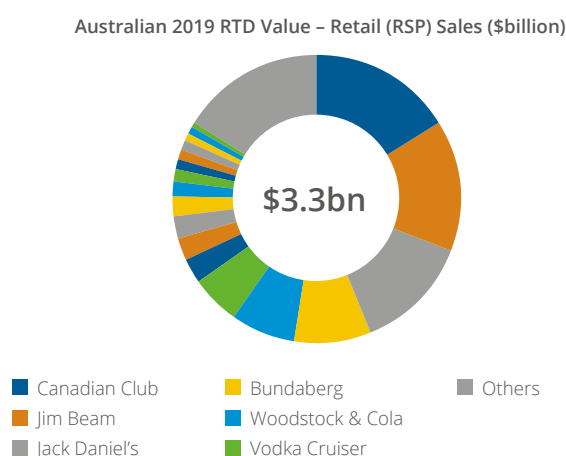
Approximately 254 million litres of spirit based RTD products were sold in Australia in 2019, generating retail sales of approximately \$3.3 billion. While the market experienced some volume decline as a consequence of the 'alcopop' tax introduced in 2008, between 2016 and 2019, the market had a volume CAGR of approximately 1.4%. Growth in value has been more resilient than volumes because of innovation in the sector, particularly in relation to new and innovative and low sugar option mixers. The market was dominated by whisky (67% of retail sales) and vodka (13% of retail sales) based products in 2019.<sup>59</sup>

The spirit based RTD market is dominated by imported products, with Bundaberg Rum the only Australian RTD in the top 20 products and brands.

**Figure 2.18: Australian spirit based RTD volume, 2015 – 2019 (million litres)<sup>60</sup>**



**Figure 2.19: Australian spirit based RTD retail sales value, 2019 (\$ billion)<sup>61</sup>**



While sugar based RTDs dominate the category, an increase in health consciousness and shifting consumer trends away from sugar laden drinks is driving innovation in RTD mixes and zero sugar mixes. Smaller pack sizes are expected to gain popularity over the short term in line with growing health consciousness in relation to alcohol consumption and lower calorie intake. Equally, there appears to be trends to consume products with higher alcoholic volume (referred to as alcohol by volume or **ABV**) reflecting the importance of flavour and higher ABV products being a more cost-effective option.<sup>62</sup>

In relation to whisky based RTDs, the top 10 product brands made up approximately 80% of the volume sold in Australia in 2019 with Canadian Club, Jim Beam, Jack Daniel's and Bundaberg Rum contributing over 50% market share. Canadian Club RTD saw its share increase significantly from 2015 to 2019 due to the growing popularity of the Canadian Club spirit. In response to the premiumisation trend, producers have attempted to refresh their product offering to offer more authentic styles and product quality. Similar market concentration is experienced in vodka with the top five brands making up approximately 90% of volume sold in Australia in 2019 with Vodka Cruiser, UDL and Smirnoff dominating the sales mix.<sup>63</sup>

Top Shelf's market positioning of its NED whisky based RTD product is a direct competitor of major rum and bourbon products on the market including Jack Daniel's, Jim Beam, Canadian Club and Bundaberg Rum.

59. Company estimates from Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

60. Company estimates from Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

61. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

62. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

63. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020). Retail sales value assumes Australian dollars, including sales tax and shown in current terms.

## 2.3 Key international alcoholic spirits markets and trends – USA and China

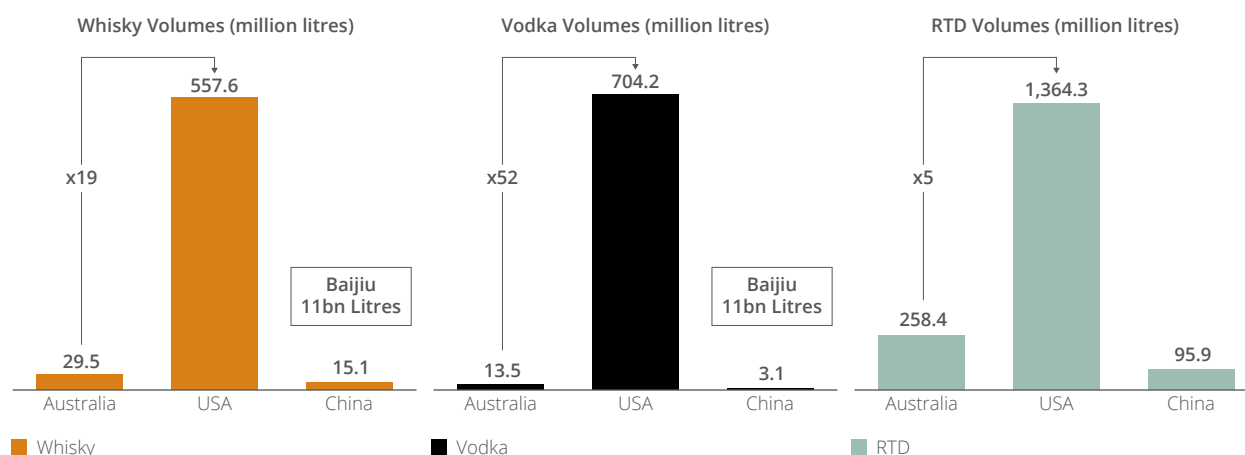
The USA and Chinese alcoholic spirits markets are target export markets for Top Shelf in the short to medium term.

### 2.3.1 The USA and China have very large addressable spirits markets relative to Australia

The USA bottled spirits market is a large (2.1 billion litres) and low volume growth (2 to 3% year on year from 2014 to 2019) market with a total retail value of US\$87.2 billion in 2019. The spirit based RTD market was approximately 49.5 million litres (total retail value of US\$904 million) in 2019 and grew at a volume CAGR of 3.6% from 2014 to 2019.<sup>64</sup>

The equivalent alcoholic spirit market in China is approximately 11 billion litres,<sup>65</sup> or a significant 180,000 times larger than the Australian spirits market. However, the Chinese market is dominated by the locally produced Baijiu (a Chinese liquor), which comprised 99% of the volume of all spirits. Western style spirits still make up a small fraction of overall consumption and until recent years were largely consumed on-premise in western style bars. Like other consumer trends in China, a transition to western products and a shift to premiumisation are both positive for a large export market opportunity. Small changes in consumption market share for a product can have an immense impact on overall segment and product demand by volume and value.<sup>66</sup>

Figure 2.20: Whisky, vodka and RTD volumes in China and the USA (2019, million litres)<sup>67</sup>



### 2.3.2 Alcohol consumption habits in the USA have similarities with those in Australia and can be an early signpost to emerging trends

Demand for cocktails is driving much of the growth in the spirits and RTD categories in the USA by spurring a wider variety of interesting spirits through on-premise sales. As a result greater shelf space in retail outlets is being dedicated to distilled spirits. Once discovered, the spirit is often purchased at a retail outlet and not consumed at a licenced premise (referred to as 'off-premise') as part of the 'do-it-yourself' (DIY) mixing culture and in a RTD format. While flavoured vodka has been a trend there are signs this is infiltrating other categories such as whiskies and bourbons as evidenced by new products such as Fireball.<sup>68</sup> An additional driver of the USA RTD category has been the rise of hard seltzers, which has inspired other brands to demonstrate increased innovation to remain competitive.<sup>69</sup>

64. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

65. IWSR Domestic Volume report, All categories, China, June 2019.

66. Euromonitor International – Alcoholic Drinks in China, 2020 edition (September 2020).

67. Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020), Alcoholic Drinks in USA, 2020 edition (September 2020), Alcoholic Drinks in China, 2020 edition (September 2020).

68. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

69. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).



## 2. Industry Overview

The trend to health and wellness is abundantly clear in vodka in the USA. The unparalleled growth in “gluten-free” and “organic” vodka brands (for example, Tito’s and Prairie Organic) is partly due to these brands successful campaigns to position themselves as a healthy choice. Stemming from the DIY movement, consumers are now finding easier ways to mix “low-calorie” cocktails themselves using online instruction videos.<sup>70</sup>

Tequila and other agave based products such as mezcal continue to exhibit strong value CAGR of 7.5% from 2014 to 2019.<sup>71</sup> An interesting development in tequila is the transitioning from a ‘shot’ category to a ‘sipping’ one and this has been led by high profile celebrity promotion of brands such as Casamigos. Equally, there is a strong interest in authenticity and seeking out “hand-made” tequilas that is drawing consumers towards this spirit. As a continuation of the search for authentic foreign spirits, other agave products such as mezcal and sotol are also gaining a niche audience. Their small market share is predicted to rise as mezcal gains attention from major spirits companies that are progressively introducing mezcal variants.<sup>72</sup>

Top Shelf’s brand and product portfolio seeks to benefit from these trends to the extent they do translate to the Australian alcohol market. In addition, if Top Shelf achieves its strategy of market entry into the USA in the coming years, it believes its product and brand portfolio is well-positioned to benefit from these trends.

### 2.3.3 Western spirits are showing strong growth in China, but off a very low base in a very large Chinese spirits market

The emergence of an expanding middle class, the penetration of online retail capabilities, and the broadening of consumption occasion is seeing strong growth rates in the consumption of western spirits in China. Premium brands tend to perform better than standard brands. The shift to premiumisation is likely to see greater penetration of western spirits and a decline in low priced Baijiu (a locally produced spirit which currently dominates the Chinese spirits market). In addition, the diversification of banquet drinking by older Chinese men and the increase in consumption by women are both trends that can translate from the imported wine industry into Western style spirits. In addition the rise and accessibility of e-commerce is diversifying the consumption experience away from the traditional western style bars and clubs to increase both demographics and the target occasion for spirits consumption.<sup>73</sup>

## 2.4 Third party packaging

The market in Australia for beverage canning, bottling and packaging is large and consolidated with a few major integrated beverage product and packaging suppliers holding a large portion of the market share. The industry is broadly divided into the alcoholic and non-alcoholic beverage market. The size of each portion of the beverage packaging market is broadly equivalent. In the non-alcoholic market, companies such as CCA (Coca Cola Amatil), Pepsico, Lion and Frucor Suntory are major suppliers. In the alcoholic market, companies such as Treasury Wine Estate, Carlton & United Breweries, Asahi, Diageo, Pernod Ricard, Campari and Accolade Wines are the major players.

Top Shelf is a small player in the Australian beverage packaging market, providing canning, bottling and packaging services to a range of customers. Other direct competitors of Top Shelf in third party co-packaging include Tru Blu, Garage Beverages and Alepat Taylor. Despite its small size, Top Shelf enjoys a competitive position in the market, supported by its state-of-the-art canning, bottling and packaging capability sourced from global leading equipment suppliers that delivers a highly productive and flexible solution for third party customers. Top Shelf can respond to a wide range of containers sizes, packaging configurations, and run lengths. This is an attractive capability to both craft suppliers of new and innovative beverage products and also to large retail customers seeking flexibility to support short runs as part of their new product development processes.

70. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

71. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

72. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

73. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

There are a number of key trends in the alcoholic and non-alcoholic beverage industry that is driving demand for these bespoke co-packaging services.

There is the shift away from high sugar to low sugar based beverages. According to research conducted by the Australian Beverage Council,<sup>74</sup> consumption per capita of sugar based beverages versus non-sugar based beverages has reduced by 25% from 83 to 61 litres per person per annum between 1997 and 2017. While the largest beverage suppliers have responded to this change with a raft of new products to meet the changing consumer demand, it has also sparked the emergence of new craft manufacturers bringing to market a range of innovative products ranging from energy drinks, to functional waters and kombucha. This trend is also being pursued by major retailers (e.g. Woolworths, Aldi and Coles) in relation to development of their own private label products.

Health conscious adult consumers are seeking alternatives to alcoholic beverages, including low or no alcohol beverages. This is giving rise to a surge in innovation of new products to meet this growing consumer need. Major alcohol suppliers are responding to the changing consumer trends but the changing market structure is creating opportunities for new craft suppliers to also enter the market. The hard seltzer market is an example of these changing dynamics and meeting a need of consumers for products that have smaller serving sizes and fewer calories, and are also lighter in flavour and gluten-free. The emergence of non-alcoholic adult soft drinks is another example of this trend. Not only are these alternatives for alcoholic drinks but are also being utilised as up-market mixers with spirits that is supporting a trading up in margins. The ability to integrate this into a range of RTD products remains a strong growth opportunity for Top Shelf.

By providing third party co-packaging services, Top Shelf can remain abreast of key emerging trends in the beverages market.

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74. Australia's thirst for change, 1997-2018, Australian Beverage Council (April 2020).



3.

## Company Overview

## 3. Company Overview

### 3.1 Overview of Top Shelf

#### 3.1.1 Introduction to Top Shelf

Founded in 2015, Top Shelf is a Melbourne based producer and marketer of high-quality Australian spirit-based beverage brands, with an ambition to create high quality, authentic Aussie spirit brands, where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience. This ambition is backed by a vertically integrated supply chain platform, with over \$35 million of capital invested in production capability to date.

Top Shelf's portfolio of products offer consumers highly engaging branded experiences, founded on delivering uniquely crafted, high quality Australian products at accessible price points. Its first product, a whisky and cola RTD branded NED, was launched at the Hanging Rock races on 26 January 2015.

In October 2019, Top Shelf commissioned its state-of-the-art brewhouse, distillery and maturation facility in Campbellfield, Victoria, which is co-located with a canning, bottling and kegging facility. These investments provide Top Shelf with the capability to execute efficient and cost effective production at scale. At the commissioning event, Top Shelf introduced its marquee NED 700ml bottled whisky.

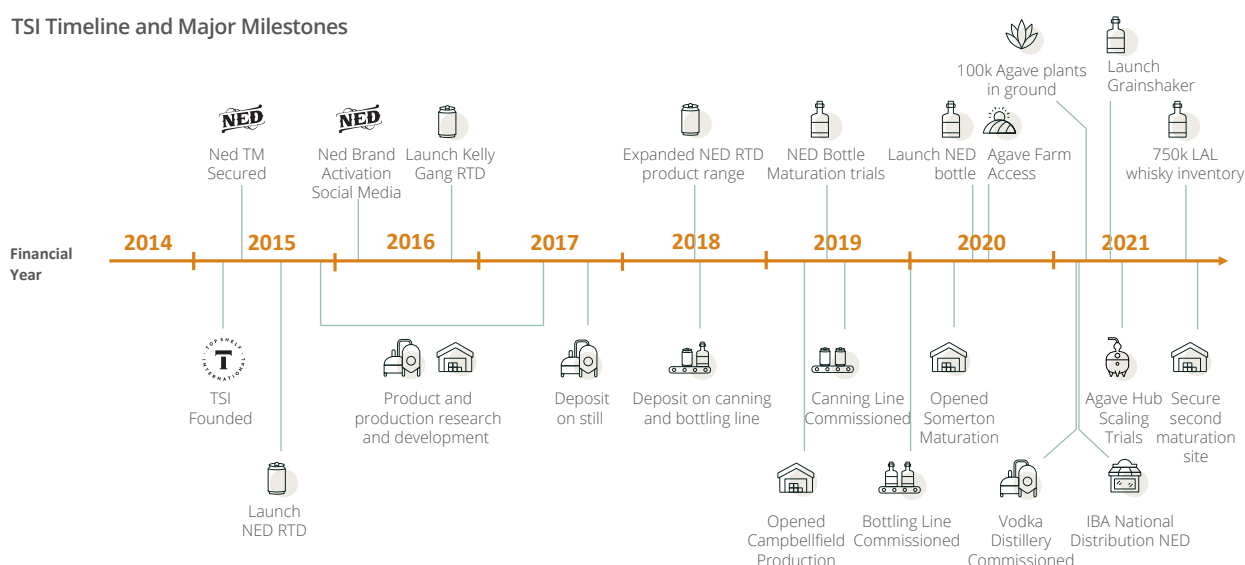
With a scalable platform established, planning commenced in early 2019 to launch Australian vodka and agave spirit products, in parallel with investment into increased distillation capacity and output including a dedicated vodka production unit.

Recognising the opportunity to be at the forefront of Australian agave spirit products, in 2019 Top Shelf entered into leases of and contracts to purchase farmland located in the dry tropics south of Bowen in the Whitsunday region of Queensland. Since the beginning of 2020, Top Shelf has planted approximately 120,000 agave plants with over 100,000 additional plants in nurseries, and a target of having 1 million agave plants planted by the end of 2024. The agave plant is not grown commercially at scale in Australia, but in 2019 Top Shelf was able to acquire a crop that had been introduced into Australia and was available for harvest and distillation. The first agave spirit was distilled by Top Shelf to a unique Australian flavour profile.

As at today, Top Shelf has over 800,000 litres at 40% ABV of whisky maturing to be sold via a range of NED whisky and cola, whisky and dry RTDs and bottled whisky products. A national distribution arrangement has been entered into resulting in national availability of Top Shelf's products in 1,434 IBA off-premise retail outlets. In October 2020 Top Shelf completed the production of and launched its Grainshaker Australian vodka brand, consisting of three variants that take their distinctive flavour profile from Australian grains, namely corn, wheat and rye.

Figure 3.1: Top Shelf Company Timeline

#### TSI Timeline and Major Milestones





### 3. Company Overview

#### 3.1.2 Top Shelf's growth strategy

Top Shelf's growth strategy is framed with a clear sense of purpose, a bold ambition that is anchored in specific measurable objectives, and a clear understanding of the required capability platform to deliver against it. This clarity of purpose is the foundation of a three-phase growth strategy (see section 3.7 below for more detail on Top Shelf's growth strategy).

##### Purpose

To promote, celebrate and enjoy our distinctive Aussie way of life by being daring, strong and proudly Australian.

##### Ambition

To create high quality, authentic Australian spirit brands, where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience.

##### Strategic objectives

Top Shelf will measure its own success by:

- a profitable portfolio of successful Australian spirit brands;
- achieving #1 market share of Australian sourced spirit products in whisky, vodka and agave, with an initial focus on Australia; and
- delivering high levels of psychological (brand salience and distinctive market assets) and physical availability (channel access) of its brands in its target markets.

### 3.2 Top Shelf's key strengths

Top Shelf believes that it has six key strengths.

#### 3.2.1 Attractive market fundamentals

Top Shelf's ambition is underpinned by attractive market fundamentals including:

- large Australian spirit and spirit based RTD products markets;
- whisky and vodka products, which Top Shelf produces, have the largest market share in those markets;
- Australian produced products represent a small percentage of those markets, representing a unique brand positioning opportunity for Top Shelf's products of Australian provenance;
- market consumption trends such as premiumisation are leading to increased consumption of spirits at the expense of beer and wine; and
- an emerging Australian craft spirit distilling industry is eroding market share of larger, more established, brands.

More information in relation to the attractive market fundamentals is contained in Section 2.

#### 3.2.2 Repeatable multi-brand platform

Top Shelf is building scale in its brand marketing and distribution platform. This scalable platform underpins the capacity to replicate brand expansion across multiple brands and multiple sub-segments. This is expected to be delivered by:

- *Consumer and market insight* – using consumer data to identify trends early and leverage Top Shelf's vertically integrated supply chain to move fast to participate in those trends.
- *Extensive research and development* – a wide ranging research and development program creating opportunities to innovate in all segments of the spirit and RTD markets.
- *Sales and marketing team* – Top Shelf leveraging its sales and marketing capacity to market multiple brands into established networks and relationships.

- *Digital capacity* – leveraging existing consumer data for new brands to grow direct-to-consumer sales and communication.
- *Trade relationships* – Top Shelf maintaining trade relationships within all tiers and channels of the spirit market, domestically, and globally.

More information in relation to the repeatable multi-brand platform is contained in Section 3.3.

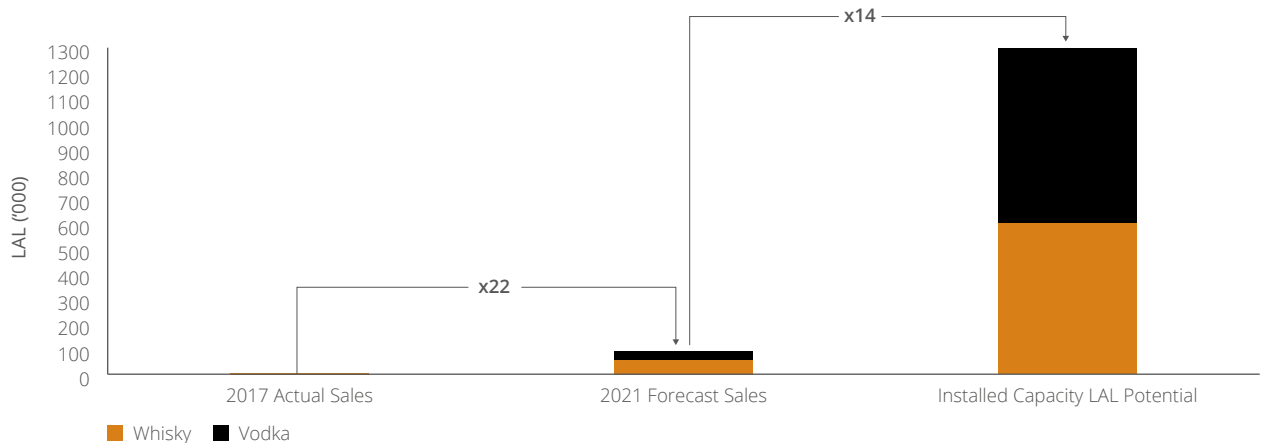
3.2.3 Installed scalable capacity

Top Shelf has installed production capacity at its facility in Campbellfield, Victoria, capable of producing 14 times more product than what it is forecast to produce in FY21. This significant scalability underpins Top Shelf’s growth potential:

- *Whisky and vodka production* – Top Shelf has installed production capacity to produce 400,000 cases of whisky and vodka nine litre equivalent (**LE**) bottles per annum. As shown in Figure 3.2, this represents 14 times the capacity required to support Top Shelf’s FY21 forecast sales in terms of litres of alcohol (**LALs**), reflecting significant excess capacity to facilitate medium term production growth.
- *Eden Lassie Farm* – approximately 120,000 agave plants have been planted with a target of having 1 million plants planted by the end of 2024 to support a harvest of 200,000 plants per year over a 4 to 5 year growing cycle. This is expected to provide capacity for production of 200,000 cases of agave spirits of nine LE bottles per annum. This capacity would exceed the current Australian agave based spirit product market by approximately 60% by volume.<sup>75</sup>
- *Canning and bottling packaging* – Top Shelf has installed canning and bottling capacity to service 30 times Top Shelf’s FY21 forecast branded product sales. Surplus capacity can service needs of third party beverage companies thereby providing important cash contributions for reinvestment in Top Shelf’s branded products and exposure to emerging beverage product trends.

More information in relation to the installed scalable capacity is contained in Section 3.4.

Figure 3.2: Top Shelf Asset Base Annual Volume Potential (LALs ‘000<sup>76</sup>)



75. Company estimate based on comparative data in Euromonitor International – Alcoholic Drinks in Australia, 2020 edition (September 2020), Alcoholic Drinks in USA, 2020 edition (September 2020), Alcoholic Drinks in China, 2020 edition (September 2020).

76. LAL is Litres of Alcohol as defined for tax excise calculations. The LAL metric normalises volume of alcohol as the measure eliminates variances in the alcohol by volume (ABV) percentage.

### 3. Company Overview

#### 3.2.4 Strong track record of delivering and de-risking growth

Top Shelf has demonstrated a track record of:

- *raising capital and deploying it in a responsible and efficient manner* – Top Shelf has raised and deployed over \$35 million in capital over the past 5 years to support the growth of the business;
- *strong commercial management* – experienced key management personnel leading a balanced approach to both risk and opportunity management; and
- *delivering growth targets* – Top Shelf has delivered consistent year-on-year revenue growth of over 100%.

Top Shelf has consciously de-risked its future growth profile by:

- *Scalable installed capacity* – the fixed assets to support the forecast growth profile are in place, commissioned and tested at nameplate capacities.
- *Growing whisky inventory* – whisky inventory on hand as at the end of September 2020 is equivalent to \$46 million in net sales value, which acts as an indicator of potential future wholesale revenue when the whisky has matured. It is anticipated to increase to over \$106 million in net sales value of whisky on hand by the end of FY21 as whisky maturation is completed (see further Section 3.3.3.1)<sup>77</sup>.
- *National distribution channels* – distribution arrangements to market for NED products with national ranging in IBA banner retail outlets and to support a channel-to-market for Grainshaker vodka.
- *Continued growth in third party packaging sales* – supports near term cash generation that can be reinvested into brand development across whisky, vodka and agave, and laying down whisky inventory.

More information in relation to the strong track record is contained in Sections 3.4 and 3.5.

#### 3.2.5 Multiple growth frontiers

A summary of potential growth frontiers for Top Shelf include:

- *Brand scaling through expanded distribution channels* – opportunities remain to expand existing brand and product reach within off-premise channels, on-premise channels, and through e-commerce channels.
- *Expanding products within the brand families* – opportunity to expand existing portfolio brands via packaging type and size, mixers, introducing premium products, and introducing aged products.
- *Portfolio expansion* – new brands within existing and adjacent segments or new brands in non-alcohol products such as mixers and/or other opportunities associated with contract packaging.
- *International distribution* – comparable market opportunities exist within the USA and China which not only represents an opportunity for sales growth, but also a significant opportunity to realise margin expansion.
- *Inorganic growth through acquisitions or strategic partnerships* – opportunity to engage in acquisitions and strategic partnerships to increase scale, capability or market access.

More information in relation to Top Shelf's growth strategy is contained in Section 3.7.

#### 3.2.6 Experienced team driving an innovation and execution engine

At the core of Top Shelf's business is the innovation and execution capability of its experienced team:

- *Common company ethos* – of being daring, trailblazing, spirited, celebratory, inspiring and grounded. This ethos is underpinned by our values of integrity and fairness, acting honestly and ethically and respect for the spirit and letter of the law.
- *Strong governance structures* – led by an experienced Board, each bringing diversity of expertise and perspectives critical for business success.
- *Entrepreneurial spirit* – a commitment to stretch the boundaries of what is possible, partnering with the best minds in the areas of research and development to create products that customers can celebrate.

More information in relation to the Top Shelf management and team is contained in Sections 3.9, 6.1 and 6.2.

77. The litres of whisky on hand at the end of September 2020 and the end of FY21 multiplied by the anticipated wholesale sales value per 700 mL bottle of \$40 is used by Top Shelf as an indicator of future wholesales revenue when the whisky has matured. This financial metric excludes the net sales value of vodka and agave on hand at year end. Refer to Section 4.3.2 for further details.

### 3.3 Top Shelf's brands and products

#### 3.3.1 A multi-brand platform

Top Shelf is positioning itself as a house of authentically Australian spirit brands, with a portfolio across multiple spirit segments. The multi-brand platform provides positive synergies with each brand utilising the established platform, whilst maintaining unifying threads in the brand essence that ensure Top Shelf's ambition to create brands that each in their own distinctive way embody an unmistakable Aussie taste, attitude and social experience is realised.

- **NED** celebrates the essence of the Aussie heritage of being daring and bold.
- **Grainshaker** celebrates the earthiness of the Australian culture and the riches that come from Australia's vast and diverse landscape.
- The **agave** brand will celebrate Australian's ability to relax, to reward, and the tropical treasures of its coastline.

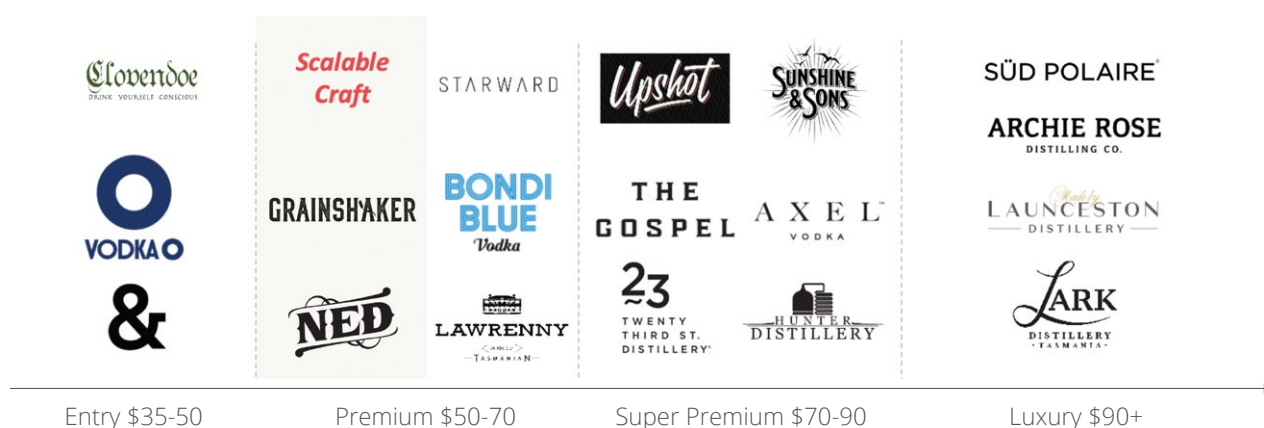
Building scale quickly by leveraging a common vertically integrated supply chain in relation to each of its brands (production, distillation, packaging, distribution, sales and marketing) is expected to provide significant economic benefits to Top Shelf.

#### 3.3.2 Market positioning of 'scale craft'

Top Shelf's ability to support a high-volume business model via its established scalable production and distillation assets is expected to enable it to compete within its target markets. This capability underpins Top Shelf's objective to create quality Australian spiritous alcoholic products that can compete within the market at targeted price points, referred to as 'scale craft'.

Top Shelf believe this 'scale craft' market positioning is differentiated from other Australian spirit manufacturers that focused on developing internationally recognised boutique products at higher price points and lower scale. NED and Grainshaker exemplify Top Shelf's strategy to create products and brands that occupy a market 'sweet spot' that is accessible and high quality; offering consumers a new and highly engaging brand experience founded on crafted Australian product at accessible price points for everyday consumption.

Figure 3.3: Australian spirits by price band<sup>78</sup>



78. Company estimates based on prices of 700ml bottles available at online retail outlets including Dan Murphy's.



# NED





### 3.3.3 NED, Australian for Whisky

#### 3.3.3.1 The NED Brand

NED whisky was Top Shelf's first spirit brand.

Top Shelf's objective was to identify a brand that was capable of straddling both the whisky and bourbon markets to maximise the significant volume opportunity. NED (representation of Ned Kelly) was validated with both bourbon and whisky drinkers across all socio economic and geographic segments through an extensive customer research program prior to launch. The program also confirmed the three core attributes of the NED brand that are daring, strong and Australian; which are essential characteristics of the NED marketing story.

To date, Top Shelf has sold all NED-branded products ready for sale. NED is distributed nationally through the independent IBA network of retail stores.

#### 3.3.3.2 NED product range

The NED whisky 700ml bottle with 40% alcohol by volume (**ABV**) is an Australian whisky informed by both traditional American whisky and single malt Scotch whiskies. Top Shelf has sought inspiration from both styles to deliver a whisky that is drier than Bourbon, but smoother than Scotch. NED whisky has an Australian style that appeals to Australian whisky drinkers.

A 500ml premium bottled whisky is expected to be brought to market for Christmas 2020.

NED is the only Australian whisky in an RTD product format. Top Shelf uses the same whisky in its RTD format as the 700ml bottle, with the approach to maturation the only variable. The first RTD, NED White 4.8% whisky and cola, was brought to market in January 2015 in a 375ml aluminium can. Since then Top Shelf has carefully built out the NED RTD product range and fine-tuned taste profiles. Since inception Top Shelf has introduced subsequent RTD whisky products that include:

- NED Whisky and cola with an ABV of 6% in a 375ml can
- NED Whisky and cola with an ABV of 9% in a 250ml can
- NED Whisky and dry ginger ale with an ABV of 4.8% in a 375ml can

The NED product range enables Top Shelf to compete with and selectively differentiate, in particular by its Australian provenance and craft attributes, from leading international brands such as Jim Beam, Jack Daniel's and Canadian Club.

#### 3.3.3.3 The making of NED Whisky

##### *The mash bill*

There is no 'standard' for the composition and types of cereal grains used to create new make whisky spirit (mash bill). Top Shelf developed its own mash bill by researching the various target aroma and taste characteristics for dark spirits that appeal broadly to the Australian palate. Top Shelf concluded that this is primarily a profile of vanilla, caramel, smoothness, and sweetness. With this objective in mind Top Shelf embarked on a research and development program to systematically work through a range of variables to produce its unique mash bill 'the NED Australian whisky recipe'. Key variables explored included the types and proportions of grains, the impact on different levels of barley, varying the type of yeast, and different cooking times and temperatures.

##### *Distillation process*

Top Shelf has developed repeatable and replicable production processes to ensure the consistency of quality, whilst maximising yield and achieving the desired flavour profile. The proprietary lauter and backset fermentation that Top Shelf uses to deliver its whisky is also designed to minimise maturation time to deliver smoother whisky faster. Top Shelf designed its production processes and interfaces between the mash tun, boiler and lauters to ensure that a 75 hectolitre (**HL**) brewery capable of producing more than 12 million litres of beer per annum could also produce its whisky wash.

### 3. Company Overview

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#### *Maturation*

Whisky must be matured in wood for a minimum two years before it is able to be consumed, and this maturation process plays an equal part to the mash bill in the development of the flavour profile of the end product.

While the common approach to accelerate whisky maturation is to reduce cask size, Top Shelf set out to research and then develop new maturation processes using in combination large European oak vats; and smaller European and American oak barrels to achieve the target flavour profile and price point. Top Shelf continuing its research and development program including investigating micro-oxygenation, activated carbon filtering (for aroma), and charred oak alternatives (for oak extraction). This research extends into maturation where, for example, Top Shelf makes its head and tail cuts of each distillation to select specific style character that is suited to fast maturation.

#### *Saleable whisky product and quality control*

Top Shelf's Master Distiller manages the Top Shelf whisky tasting panel. This team is responsible for the ongoing tasting and assessment of aging stock and are accountable to the Board for quality and progress on the aging of the stock. The tasting panel is convened on a quarterly basis with both Top Shelf and independent representatives. The panel is accountable for distillation testing and quality assurance planning; distillation plans; maturation testing and quality assurance planning; and barrel planning concepts. All elements of the production process is designed to ensure that the whisky is mature and ready for release two years from the start of the maturation process.

# Grainshaker

# GRAINSHAKER



### 3. Company Overview

#### 3.3.4 Grainshaker, Australian for Vodka

Australian grains are packed with character. Top Shelf distils Australian corn, wheat and rye into vodka for maximum flavour, crafting by hand and guided by taste. From the silo to the serve its vodka the Australian Way.

The Australian vodka market follows a similar thematic to the Australian whisky market. With the exception of Vodka O, the majority of Australian vodka manufacturers are boutique distilleries competing at the premium and super premium end of the market. These Australian brands do not compete with the international players at scale, price or in the RTD format. Top Shelf has positioned Grainshaker to compete in this segment of the bottled vodka and vodka based RTD markets.

##### 3.3.4.1 The Grainshaker brand

Top Shelf identified the opportunity to produce a high volume premium Australian vodka that can compete as a first entry to craft spirits in straight spirit and RTD formats. Top Shelf's analysed proven market models such as Tito's in the USA when developing the Grainshaker product. Over a 10 year period Tito's rose to become the top selling vodka brand in the USA, developing an award-winning product that pioneered 'word of mouth' social media advertising through investment in large scale community events and delivered price competitiveness against established premium brands like Grey Goose and Belvedere.

##### 3.3.4.2 Grainshaker product range

There are three core products that form the basis of the Grainshaker brand. Australian corn, wheat and rye are used to produce vodka that is intended to have a distinctive flavour. Top Shelf launched the Grainshaker brand in October 2020, and is now in the process of a wider market and trade launch into both on-premise and off-premise distribution channels, with first sales expected in November 2020.

- *Grainshaker Corn* – Distilled with a combination of wheat and corn to showcase the flavour and character of corn in vodka. Corn originates in central America, where it has been the agricultural grain of choice for thousands of years. Famous for the flavour it gives to American whisky, it is being celebrated in new spirits like vodka. Corn brings softness, and a mellow caramel hint to the spirit, with warmth of flavour, loving combinations like coffee, ginger beer, and grapefruit.
- *Grainshaker Wheat* – Distilled with a combination of two distillations of wheat that are blended and re-distilled together. Wheat is the traditional grain for spirit in Russia, synonymous with vodka. It is a clean grain that adds character of vanilla, citrus and a hint of anise. Clean and light, it is fantastic with lime, mixed in cocktails and a vodka spritz.
- *Grainshaker Rye* – Distilled with a combination of wheat and rye distillate to showcase the power of rye in vodka. Rye is the traditional grain of choice in Poland, famous for bold tasting bread and vodka. It is a smooth vodka with dark spices, fresh bread, and almost dark chocolate at the finish. Amazing with fresh lime and in a vodka Martini with olives. Or a dirty Martini if that's your style.

Top Shelf has advanced plans to launch a range of vodka based RTDs under the Grainshaker brand, with growth strategies including portfolio expansion into special harvest and unique grain expressions for permanent or seasonal release.

##### 3.3.4.3 The making of Grainshaker vodka

Top Shelf's philosophy is to distil every part of the grain character except the harshness. Top Shelf has a purpose built 12 plate pot still where it can manage every minute of the distillation to keep the spirit in the perfect sweet spot between flavour and smoothness. The Company uses the traditional process of manually 'cutting' the head and tails by taste to keep only the heart of the distillation. Each vodka uses subtly different distillation processes to get the best from each grain.

Grainshaker is entirely produced at the Campbellfield facility on Top Shelf's purpose built 12 plate 3,500 litre copper pot still. Steam powered and completely manual, every stage of production is managed by taste.

Vodka production is significantly faster than whisky, with no maturation period required. Top Shelf currently has vodka inventory on hand to satisfy all of its FY21 forecasted sales of Grainshaker product.



# Australian agave





### 3. Company Overview

#### 3.3.5 Australian agave

Agave based spirits (the most famous being tequila and mezcal) is one of the fastest growing spirit based alcohol categories by volume and sales value, achieving a 7.5% volume CAGR in the USA from 2015 to 2019.<sup>79</sup> Strong forecast category growth is expected to drive supply shortages in agave spirit capacity sourced from Mexico.

Agave is a unique spirit, as it is the only spirit that comes from a succulent and a non-annual crop. It is a spirit with strong barriers to entry that come from the growing cycle between planting and harvest, and the global shortages of seedlings to expand plantations. Through its agave assets (refer to section 3.4.5 below) Top Shelf has the opportunity to be the first mover for an Australian agave spirit, which allows Top Shelf to define what it means to be an Australian agave spirit and control the direction of a new agave provenance, celebrating every aspect of production from farm to bottle.

In every spirit segment, consumer trends support locally grown and unique provenance. The opportunity for Top Shelf is to convert the Australian consumer market to locally grown agave spirit products and enter the international markets offering a defensible unique selling proposition of an Australian provenance agave spirit product.

##### 3.3.5.1 The agave brand

Top Shelf is currently developing the agave spirit brand focussed on tradition, its unique location (the dry Australian tropics south of Bowen in the Whitsunday region of Queensland) and innovation. This is aligned with Top Shelf's core company ethos of innovation to drive quality, taste and efficiency.

Top Shelf's agave spirit brand has the unique opportunity to define what an Australian agave spirit is. Distillation of the first harvest has shown there is a distinct flavour to Australian grown agave, similar to the way that wine from different global regions expresses different character. Top Shelf's research on fermentation and distillation is set up to allow that character to shine, making the unique flavour of Australian grown agave the hero of the brand. The agave brand development is focussed on celebration of the agriculture and production of the first true Australian agave spirit.

##### 3.3.5.2 Agave product range

Top Shelf is in the process of establishing a tiered product range for its agave spirit that is influenced strongly by different aging profiles in oak barrels and on the sourcing of key ingredients in the recipes. While the products will be predominantly in traditional bottle format, growth in the market for RTD cocktail mixes provides an opportunity to extend the product range into RTD formats as well. Top Shelf forecasts the production of the agave spirit products to commence in late FY21, with no material revenue expected to be received in the Prospectus forecast period.

The initial target is to produce an Australian agave spirit range of products with imported agave sugars combined with Australian grown agave. The range is expected to include:

- *Blanco* – unaged agave;
- *Resposado* – aged in NED whisky barrels for 3 to 6 months;
- *Anejo* – aged in NED whisky barrels for 12 months; and
- *Extra Anejo* – aged in NED whisky barrels for 24 months.

79. Euromonitor International – Alcoholic Drinks in USA, 2020 edition (September 2020).

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### 3.3.5.3 The making of agave

Top Shelf is well advanced in the development of an Australian agave spirit. The proprietary processes that are being developed with The University of Adelaide<sup>80</sup> are designed to celebrate the character of locally grown Australian agave grown in Australian conditions.

Top Shelf will be in control of every component of production which will enable it to track each individual planting at the Eden Lassie farm to the finished bottle. Top Shelf will be able to change growing conditions to improve fermentation, adapt fermentation to match changes in weather, or fine tune distillation to capture the flavour of every unique harvest. This end-to-end process control enables improved quality and yield year-on-year.

The agave production system celebrates tradition, location and innovation.

- *Tradition* – treating the finished spirit in accordance with traditional tequila production processes to produce traditional styles of Blanco, Reposado, Anejo and extra Anejo. Employing tradition, rather than being bound by it.
- *Location* – the Eden Lassie farm located in Queensland is in a micro-climate in dry North Queensland with access to water for irrigation. This facilitates control of the moisture conditions in the first stages of the agave life cycle to define the yield and character of the final harvest.
- *Innovation* – in partnership with Top Shelf, The University of Adelaide<sup>81</sup> is researching how to harness the natural enzyme processes within the agave to efficiently transform and extract agave sugars at lower temperatures and with less intervention. See section 3.4.5.4 for further details.

The agave sugar can be deconstructed into available fermentable sugar which delivers the majority of alcohol, and essential trace components that deliver majority of unique flavour. A research program with The University of Adelaide<sup>82</sup> has commenced to perfect the utilisation of imported Mexican agave sugars in conjunction with Australian grown agave to accelerate the time to market for the Australian agave spirit.

This will facilitate the acceleration of the development of a broad product range of Australia agave spirit beverages across multiple price categories.

80. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.

81. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.

82. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.







### 3. Company Overview

#### 3.4 Vertically integrated supply chain

##### 3.4.1 Overview

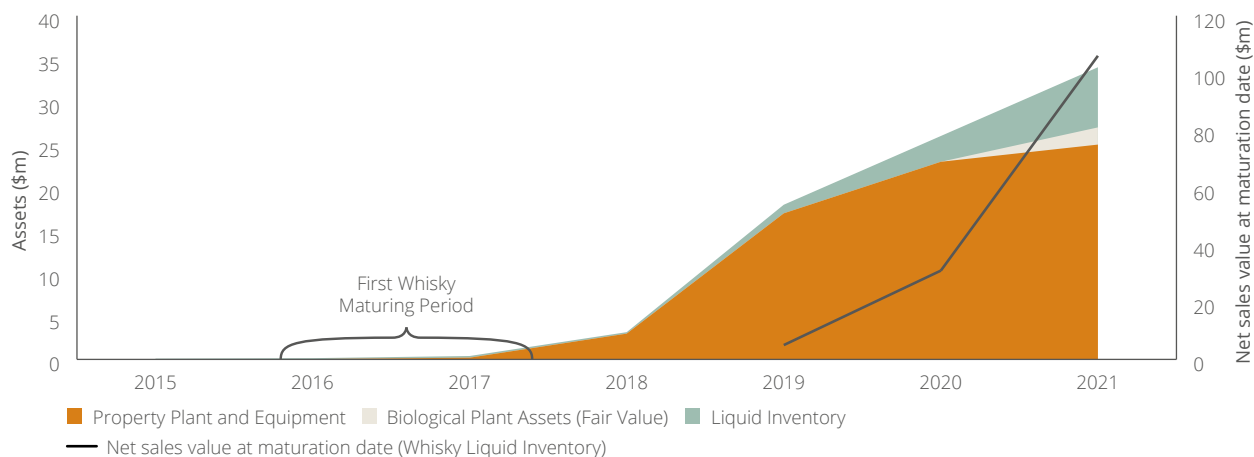
Top Shelf has invested in an established vertically integrated supply chain, which provides a material competitive advantage to Top Shelf. These key benefits include:

- *Security of supply* – Top Shelf's control over key elements of the production supply chain increases its security of supply ability to deliver surety of supply to customers, strategic partners and participants in its distribution network.
- *Scalability* – Top Shelf has already invested over \$35 million in brand and physical production and distillation assets at Campbellfield that provide supply capacity to support LAL sales in excess of 14 times FY21 forecast LAL sales<sup>83</sup>.
- *Craft and creativity* – the ability to create, adjust, and shape Top Shelf's products in real time to achieve taste profiles that are distinctive and uniquely its own.
- *Quality control* – creating quality products is at the core of Top Shelf's customer value proposition, achieved via the highly capable quality assurance systems across the end to end supply chain.
- *Flexibility and adaptability* – a high degree of flexibility to adjust the product mix and to respond to market changes in a just-in-time fashion thereby reducing the risk of inventory build.

Top Shelf has actively invested in and built its vertically integrated supply chain over the past 5 years. The investment over a significant period of time has built Top Shelf's capability to launch and grow the NED product, due to the minimum two-year maturation period required by law for whisky. Top Shelf is utilising a similar approach to the establishment of the supply chain for its vodka and agave products, in addition to leveraging its established platform.

As shown in Figure 3.4, Top Shelf's asset base includes its supply chain fixed assets and the corresponding whisky maturation inventory produced by its fixed assets. This asset base provides an indicator of potential future wholesale revenue when the whisky has matured and underpins future forecast sales growth through its established distribution channels. Top Shelf forecasts to have over \$106 million in net sales value of whisky on hand by the end of FY21 as whisky maturation is completed.

Figure 3.4: Top Shelf asset base (assets and in fair value at maturation dates<sup>84</sup>)



83. LAL is Litres of Alcohol as defined for tax excise calculations. The LAL metric normalises volume of alcohol as the measure eliminates variances in the alcohol by volume (ABV) percentage.

84. The litres of whisky on hand at year end the end of September 2020 and the end of FY21 multiplied by the anticipated wholesale sales value per 700 mL bottle of \$40, is used by Top Shelf as an indicator of future wholesales revenue when the whisky has matured. This financial metric excludes the net sales value of vodka and agave on hand at year end. Refer to Section 4.3.2 for further details.



### 3.4.2 Campbellfield production capacity and operations

Top Shelf's primary production facility is located in Campbellfield, Victoria across in excess of 3,500 square meters. The facility contains a brewhouse for whisky, distillation column and pot stills for whisky and vodka, and a flexible packaging facility for beverage cans and bottles. State-of-the-art production equipment was sourced from leading global equipment suppliers located in Italy, predominantly from Della Tofta, Imball and CFT. The equipment was installed and commissioned in October 2019 by the Top Shelf team and has demonstrated operational capability at nameplate capacities.

**Figure 3.5: Top Shelf production facilities overview**

Whisky Distillation			Vodka Distillation	Packaging
Brewhouse	Column stills	Pot stills	Pot Still and Rectification Column	Canning and Bottling
Capacity to produce 10 million litres of brew per year	Capacity to distil 11.5 million litres of produced wash per year	Capacity to produce 2 million bottles of 700ml whisky per year	Capacity to produce 3 million bottles of 700ml vodka per year	Capacity to produce 1.5 million cases of cans (24 pack) and 3.0 million cases of bottles (6 pack) per year

#### 3.4.2.1 Brewhouse

European custom designed and manufactured LASI automated Human-Machine Interface (HMI) controlled brewhouse system. The equipment includes a bespoke lauter design to provide "craft at scale" wash production and is complemented by milling equipment and automated temperature controlled fermentation vessels. Key production capability of the brewhouse includes:

- Fully automated 4 vessel 75HL brewhouse; and
- Capacity to produce up to six brews per day at 7,500 litres per brew on a three double shift operation utilising two lauters; equivalent to more than 10 million litres per year.

#### 3.4.2.2 Whisky and vodka distillation

The distillation equipment was also sourced from an Italian manufacturer, Barison. The automated HMI controlled system allows for craft at scale repeatable output. Key distillation production capability of the distillation equipment includes:

- *2 x continuous column stills (whisky low wines)* – Each column has the capability of distilling 1,500 litres per hour, distilling 60,000 litres daily based on three shifts a day. Equating to 11.5 million litres of distilled wash and 2.3 million litres of 40% ABV whisky low wines per year,
- *Whisky pot still* – capacity of three distillations per day at 3,500 litres of whisky low wine per distillation on a three shift operation; whisky pot still producing 5,400 litres of new make per day; equating to over 2 million bottles of whisky per year.
- *Vodka pot still and rectification column* – capacity of three distillations at 3,500 litres at 50% ABV per distillation on a three shift operation; vodka still producing 11,000 litres of 40% ABV per day; equating to over 3 million bottles per year.







### 3. Company Overview

#### 3.4.2.3 Canning and bottling line

Top Shelf has a fully automated canning and bottling line, which consists of the latest European designed and manufactured state-of-the-art equipment. This equipment provides high levels of productivity and also enables flexibility to support quick change over of products, in-built cleaning cycles, and electromagnetic control filling valves than facilitates fine-tuned filling control with and without carbonation. Key production capability of the canning and bottling line includes:

- 10,000 cans per hour nameplate capacity on the canning line; equivalent to 1.5 million cases per annum (24 cans per case) based on assumed availability and utilisation;
- 7,000 bottles per hour nameplate capacity on the bottling line; equivalent to 3.0 million cases per annum (6 bottles per case) based on assumed availability and utilisation;
- capability to produce beer, RTD, cider, water, soft drink, wine, carbonated and non-carbonated products;
- Full size and volume adjustment to suit all varieties of cans and bottles;
- Filling capabilities for most glass and PET ranges and closures; and
- Filling capabilities for a range of keg styles and sizes.

Top Shelf utilises current spare capacity in its canning and bottling line by offering its range of canning, bottling and packaging services to independent beverage manufacturers, generating additional cash flow from its excess production capacity. Top Shelf's competitors are primarily the major soft drink (e.g. Coca Cola Amatil) and alcohol (e.g. Asahi) producers. Top Shelf differentiates its offering from the large incumbents by providing bespoke services suitable for small scale beverage manufacturers or large scale beverage manufacturers wanting to do short runs, to test and prove up new products, such as kombucha and hard seltzers.

Cash generated from the third party production and packaging is reinvested into the business to fund whisky inventory expansion, which provides a margin uplift of approximately 6-7 times the original cash margin on the subsequent sale of matured whisky inventory.

As an additional benefit, by providing third party co-packaging services, Top Shelf can remain abreast of key emerging trends in the beverages market.

#### 3.4.3 Somerton inventory storage and maturation in containers

Top Shelf's maturation facility and bond store is located in Somerton, Victoria, near Top Shelf's Campbellfield facility, occupying a total of just under 4,000m<sup>2</sup>. The facility contains oak vats and barrels for the storage of whisky inventory during its two-year maturation period.

At the end of September 2020, Top Shelf had the volume strength capacity of 800,000 litres of maturing whisky at 40% ABV. This whisky is contained in a range of storage containers including:

- 16 x 14,000 litre European oak vats;
- 14 x 500 litre European oak barrels;
- 1300 x 200 litre small American oak barrels; and
- 51 x 20 litre small American oak barrels.

In addition to the whisky inventory in containers, there is a range of spare container capacity to support forecast inventory volume growth. This includes 2 x 14,000 litre vats, 1,070 x 200 litre barrels, 10 x 500 litre barrels, and 52 x 20 litre barrels. At an average ABV of 65%, this is sufficient storage to house over 790,000 x 700ml bottles of NED whisky.

### 3.4.4 Eden Lassie agave farm

#### 3.4.4.1 Farm operation

Top Shelf currently leases, and has entered into a contract to purchase, a 430-hectare property called Eden Lassie in Queensland, located 30 km south of Bowen near Airlie Beach. Agave plants will be progressively planted on the former vegetable and livestock farm over the next 4 years, with approximately 120,000 plants already planted and over 100,000 additional plants in nurseries. A further 100,000 are scheduled to be planted by the end of 2020. In 2021, Top Shelf expects to plant a further 160,000 plants propagated from bulbils and another 100,000 plants produced using plant tissue culture. By the end of 2024, Top Shelf plans to have over 1 million agave plants planted on approximately 250 hectares at the farm.

#### 3.4.4.2 Planned agave distillery and ancillary facilities

Top Shelf is planning to develop a first stage agave distillation capability at the Eden Lassie farm in the latter half of calendar year 2021. This will be the first of a three or four phase distillation expansion that can be delivered in a unitised fashion as market demand grows for the agave products.

Key capabilities of the planned first phase distillation process include:

- 52,000 litres of fermentation capacity per week; equivalent to 2.5 million litres per year.
- 2 x 6500 litre pot stills and 2 x 1250 litre spirit stills; to process equivalent to 2.5 million litres per year of wash into 210,000 litres per year of agave spirit for bottling or maturation.
- Bottling capacity equivalent to 300,000 bottles a year capacity of distilled agave spirit.

To scale Australian agave spirit production, Top Shelf has entered into an agreement with Anther Experimental Distillation in North Geelong. Headed up by Dr Dervilla McGowan, the hub has the capacity to ferment and distil 3,000 litres of agave wash per week, delivering 2,350 bottles per month of agave spirit as part of the product development phase.

As well as producing small commercial volumes for market and consumer testing the expectation is that the developed fermentation and distillation recipes will inform planning for establishing a distillation capability and visitors centre at the agave farm in Queensland.

### 3.4.5 Managing quality

#### 3.4.5.1 Process quality

Top Shelf operates in compliance with all relevant Australia and New Zealand food standards (including labelling conventions). Top Shelf has implemented a food safety Quality Management System (QMS) that supports the implementation of Top Shelf's HACCP (Hazard Assessment Critical Control Point) food safety plan. Top Shelf is working toward HACCP accreditation, having successfully completed stage 1 of the audit, with stage 2 taking place in November 2020. It is expected this accreditation will be granted in late December 2020 or early 2021.

Top Shelf is regularly audited by existing and prospective contract bottling and canning customers that seek assurance associated with its ability to manage food safety risks.

As part of the QMS, Top Shelf runs an internal audit program. The program ensures all aspects of the QMS is audited annually. This process compliments a range of third-party and external audits and is focused on assessing compliance to systems required to manage and control food safety risks.

#### 3.4.5.2 Product quality

For the management of product quality, Top Shelf operates both internal and independent taste and sensory assessment panels.

A quarterly formal tasting assessment panel examines the whisky maturation process in full. Tasting multiple barrels at multiple ages takes place to assess the quality and style of whisky under oak. Internally, every barrel is assessed multiple times before being allocated to harvest. Harvest assessment is carried out by Top Shelf's Master Distiller, supported by the distilling team. In addition, there is also a two weekly 'new make' assessment to ensure that each batch blend of new make is to style and of quality.



### 3. Company Overview

For vodka production, the tasting profile of every distillation is tracked; calibrating against the ABV, flow rate and production time. Each batch of vodka is assessed again by taste, volume and ABV, before being blended for resting and bottling. This quality control process enables early signalling of inconsistencies by taste, alcohol strength, production cycle time, and production volume yield.

#### 3.4.6 Key supply arrangements

Top Shelf has flexible supply arrangements for key input materials, assets and business services to support its business operations. The supply relationships are predominantly with local suppliers.

Top Shelf has a long-standing supply arrangement with an Australian spirits distiller to produce 'new make' spirit to the Top Shelf 'mash bill'. This whisky 'new make' is then aged in Top Shelf owned NED whisky barrels at Top Shelf's Somerton facility. This arrangement was put in place to supplement and accelerate the growth in Top Shelf's whisky inventories and provides redundancy for Top Shelf's production operations, thereby de-risking the forecast supply growth profile. Top Shelf also has relationships with other whisky distilleries for the supply of premium whisky for the use in the NED blend profile.

The majority of whisky used for NED products will be internally sourced from Q3 FY21.

### 3.5 Sales and marketing

#### 3.5.1 Sales and distribution strategy

##### 3.5.1.1 Overview

Top Shelf distributes its products via two primary channels:

- *Off-premise* – primarily via the progressive buildout of traditional independent alcohol retailer distribution networks; and
- *On-premise* – primarily via hospitality establishments and brand activation sites.

Top Shelf distributes some product via online channels. However its e-commerce capability is in the process of being developed and expanded. A similar repeatable approach to distribution channels is intended to be applied to these e-commerce channels and for entry into international markets (initially expected to be the USA and China).

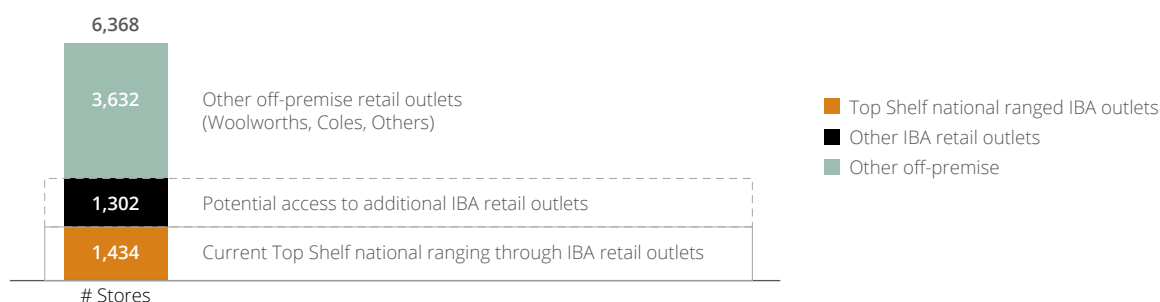
##### 3.5.1.2 Off-premise

Historically, Top Shelf has marketed its NED products directly to individual independent retail stores. Availability of NED products through the liquor subsidiary of the major retailer Metcash, ALM, commenced in June 2015 with direct sales to over 80 retail outlets. The ALM distribution channel recorded over 180 stores ordering NED by the end of FY2016.

The ALM relationship has now transitioned to a national ranging in 1,434 stores within IBA's retail banner group. Distribution growth potential exists via Top Shelf's access to the remaining 1,302 IBA bannered stores within the IBA portfolio. Further, there is also potential distribution growth in new off-premise retail distribution channels that are not included in the Metcash (ALM/IBA) network.

Top Shelf believes that the relationships are now in place to accelerate the entry and scaling of Grainshaker into the IBA network as well as new off-premise retail distribution channels that are not included in IBA's network.

**Figure 3.6: Top Shelf current off-premise retail outlet access relative to total Australian off-premise retail market<sup>85</sup>**



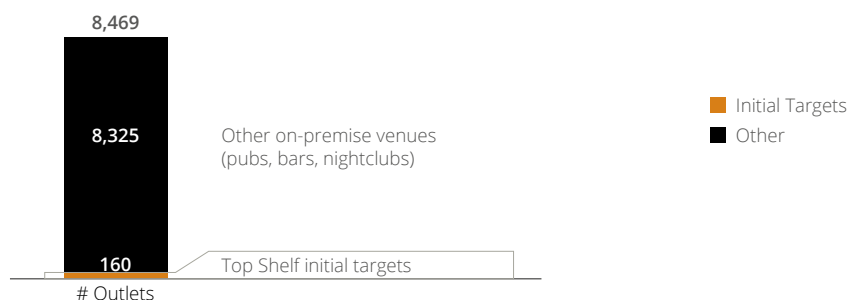
### 3.5.1.3 On-premise

To date, Top Shelf has had insufficient NED whisky inventory to service both the on-premise and off-premise distribution channels. With the recent securing of the IBA national ranging arrangement to expand off-premise distribution channels, this constraint on available NED whisky stock is expected to continue throughout the forecast period. Therefore, over the forecast period, Top Shelf's primary strategy is to grow its on-premise distribution channels through the Grainshaker brand and, once established, leverage these channels for NED products once Top Shelf has sufficient whisky available.

Grainshaker's on-premise strategy is built upon the securing of strategic partnerships with key venues and events in Melbourne, Sydney and Brisbane. These investments are focused on amplifying Grainshaker brand awareness and driving volume across these partnerships. Targeted spend on activations and promotions that drive revenue and volume, as well a comprehensive trade engagement and on-premise staff incentive program to ensure brand recommendation and advocacy, are also key supporting pillars of the strategy.

Top Shelf proposes to initially target approximately 160 on-premise venues across Australia. Top Shelf's ability to access a larger number of on-premise venues over time, will be driven by the growth of its portfolio brand's profile and increased whisky inventory to supply higher demand levels.

**Figure 3.7: Top Shelf on-premise target outlets relative to total Australian on-premise market<sup>86</sup>**



### 3.5.1.4 Online/e-commerce

Top Shelf targets consumers via its existing 'direct to consumer' platform and third party online distribution channels, including IBA's Shop My Local platform, Dan Murphy's marketplace, Boozebud's online platform and other independent e-commerce platforms. E-commerce channels are forecast to account for less than 5% of total Top Shelf sales in FY21.

To accelerate its online presence, Top Shelf has recently appointed Podean as an ecommerce go-to-market partner to develop an online presence within one of the world's biggest online retailers.

85. Total Australian off-premise retail outlets; Company estimates based on IBISWorld Liquor Retailing in Australia May 2020.

86. Company estimates based on IBISWorld Pubs, Bars and Nightclubs in Australia May 2020.

### 3. Company Overview

#### 3.5.2 Marketing and brand activation strategy

##### 3.5.2.1 Social media

Top Shelf's brands each have their own distinct personalities and way in which they communicate and interact with consumers. The digital strategies for the brands, while sharing commonalities and resources for efficiencies where appropriate, are developed and executed separately.

Since its launch, the online strategy for NED has been to develop deep engagement with its consumers, regardless of the channel, through a commitment and investment in direct communication.

The social media channels are, and will continue to be, managed and moderated by Top Shelf staff directly, to ensure consumers have a direct line of access to the brands, and not a layer in between via third parties and consultants. In the case of NED, it has been managed by Top Shelf's Head of Marketing and Brands since launch, ensuring that feedback has been heard and responded to, and that consumers have felt they have had an opportunity to become part of the growth of the business. This strategy has been successful in building a core base of dedicated and loyal consumers who advocate on the brand's behalf. This social media strategy will be replicated for the market launch of Grainshaker in October 2020.

##### 3.5.2.2 Strategic brand partnerships

Strategic partnerships for all of Top Shelf's brands are based on a key set of criteria that not only build awareness but also support each brand's sales and go-to-market strategies. The overall philosophy of Top Shelf's partnership strategy is to be active in and support local communities who help its brands to grow.

The first major partnership entered into by Top Shelf is with the Kelly Racing Supercars team for its NED brand. The multi-year agreement with the Australian-owned independent outfit provides a national platform to activate the brand to a key segment of consumers. As well as the broad awareness delivered via Supercars' free-to-air and subscription television broadcasts and via Supercars' and Kelly Racing's existing marketing channels, the partnership is supported by an activation strategy that takes the brand direct to consumers.

##### 3.5.2.3 Small still model

Consistent with the desire to offer consumers highly engaging branded experiences, Top Shelf has developed a small still business model to activate its brands. The first still deployed as part of this strategy is at Welcome to Thornbury in Melbourne's inner north, a venue that facilitates the connection of the Grainshaker brand's distillation process directly to consumers.

Increasingly consumers are wanting to experience alcohol brands within their manufacturing space, with this inner sanctum access creating a deeper connection between the consumer and brand. Whilst brewery venues and some distilleries have been successful in executing this model for some time, Top Shelf is taking it a step further, and will partner with established and successful hospitality providers to create a first-of-its-kind model that isn't restricted to a single location or operator. Top Shelf brands will be taken to where the consumers are, creating destinations to showcase brands and distilling expertise in venues that align with the brands' personalities.

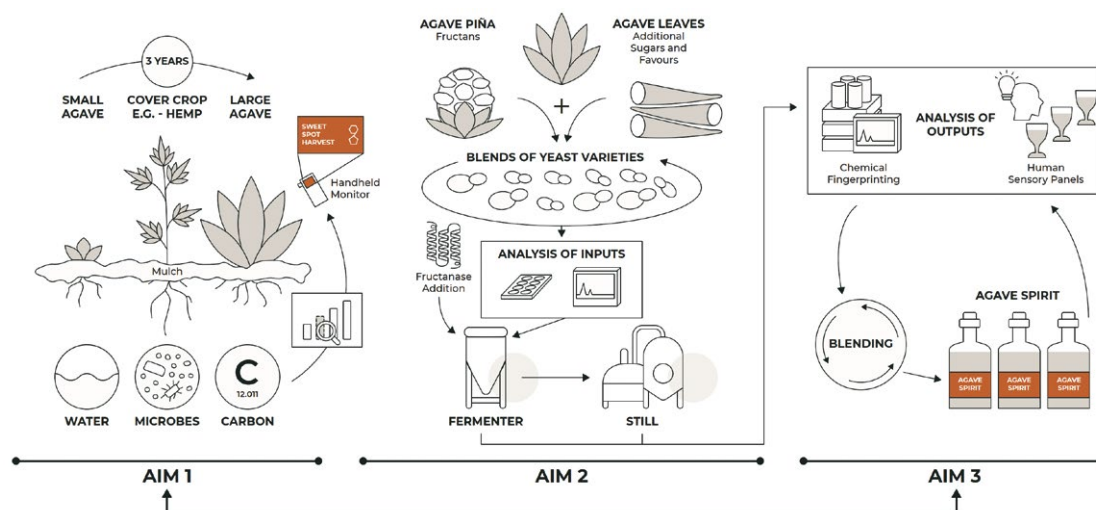
In addition to playing a key role in the activation of Top Shelf's brands, these venues are intended to be used as spirits incubators; where Top Shelf can continue to pursue its research and development programs at the intersection of brand, product and experience.

### 3.6 Research and further product development

Research and development are core to the way in which Top Shelf manages its business. Unconstrained in production of whisky and agave products compared with traditional producing countries that are bound by historical industry and regulatory standards, Top Shelf has dared to be different.

Recognising this lack of constraint as an opportunity, Top Shelf has active research and development projects and to date has invested over \$6 million across programs that include scaling production, efficiency, growing agave and flavour profiling of whisky, vodka and agave spirits.

Figure 3.8: Illustrative example of Top Shelf's research and development process (agave)



### 3.6.1 Efficiency

The development of efficient production methods facilitates increasing alcohol yields is critical to improvements in the economics of production. Current trials include new processes, yeasts and enzymes for Top Shelf's whisky mash to optimise fermentable sugars. At the agave plantation, investigations into how to drive increased fructans with a high rate of convertibility to sugars for fermentation and distillation are occurring, in addition to research into maximising plant health and growth will have flow-on effects for crop yields. In partnership with Top Shelf, The University of Adelaide<sup>87</sup> is investigating agave plant science and how to optimise the plantation and mechanise the harvest to drive increased yields.

Agronomy research is being undertaken to explore how to get the best out of an agave crop, increase yields and drive costs down. By investing in technology to monitor the plant from farm to bottle, Top Shelf is developing methods to homogenise plant growth, develop methodologies that support the mechanical harvesting of mature plants and developing profiles of the impacts of seasonality.

### 3.6.2 Taste

Similar to the process undertaken to develop the NED Australian whisky mash bill, Top Shelf is engaged in research and development activities to develop an Australian agave spirits taste. This includes agronomic monitoring and trailing to develop understandings of the impacts of crop propagation and growth on the taste and quality of the agave spirituous beverage.

## 3.7 Growth strategy

### 3.7.1 Overview

Top Shelf is well progressed in the process of executing its growth strategy, with Phase 1 and Phase 2 described below:

#### Phase 1 (FY15 to FY20)

- Established the NED whisky brand and invested in a scalable vertically integrated manufacturing and supply chain.
- Established a national distribution channel to market through Metcash's IBA banner retail group.
- Undertaken early development work to establish a vodka and agave brand.

87. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.

### 3. Company Overview

#### Phase 2 (FY21 to FY22)

- Continue to scale NED brand sales, expanding the product range and sales channel access, growing the sales force and increasing brand activation activities.
- Launch the Grainshaker vodka brand in Australia in both on and off-premise channels and leverage supply capability to expand penetration of the vodka product range.
- Partner with Anther Experimental Distillery and The University of Adelaide<sup>88</sup> to develop the agave product in preparation for establishing the first phase agave spirit distillation capability at the Eden Lassie farm.
- Commence early agave production to source agave sugar from Mexico and agave leaves from Queensland.
- Commence preparation work to establish channels to market in offshore locations (USA and China as preferred locations).
- Seek to identify acquisition opportunities to expand scale of existing brands, expand product in the existing brand portfolio, enter new brands and/or alcohol sub segments, and enter new geographies.

Phase 2 is expected to inform and be succeeded by further scaling of the NED, Grainshaker and agave brands in Australia, further diversification of distribution channels, increases in production capacities, particularly in the distillation capacity of agave spirit at the Eden Lassie agave farm in anticipation of commencement of harvesting of agave and first entry into offshore markets.

More detail on the different growth frontiers available to Top Shelf is contained in the sections below.

#### 3.7.2 Brand scaling through expanded distribution channels

As the constraints around the availability of NED product start to subside, combined with the launch of Grainshaker in the last quarter of calendar 2020, there is an opportunity to extend existing distribution channels in the business. Opportunity exists to increase from the current 1,434 stores to 2,736 stores within the IBA network and other banner groups that source through ALM. The IBA network represented around 10% of the overall alcohol off-premise retail network (by retail sales in FY20)<sup>89</sup>. The strong relationship with ALM has allowed Grainshaker to become immediately available through the ALM network.

Entry into on-premise and leveraging e-commerce channels provide immense scalability for the growing portfolio of brands.

#### 3.7.3 Expanded products within the brand families

The core of Top Shelf's scale craft business model is to launch quality products in each spirit category to compete directly with the scale premium brands. However, once the initial products are established in each market there remains a range of options to broaden the product architecture for each brand to meet the needs of more granular sub customer segments within the target markets. The build out of the product architecture within a brand family also plays an important role in growing margins.

Opportunities to extend the product range include:

- *Packaging size* – there are opportunities to package the same spirit products in different size containers.
- *New mix RTDs* – leveraging the network of food and flavour technologists and flavour houses, utilised by Top Shelf's third party packaging business, provides access to new flavours quickly and easily.
- *Aged products* – there are opportunities to age whisky and agave products for taste and premium products.
- *Special release products* – this may involve different flavours, different gains, or single barrel specials.
- *Gift products* – control over packaging allows Top Shelf to adapt for gifting occasions and special release packs. The objective over the forecast period is for gift products to represent 10% of the overall sales mix delivering average margins higher than the margins for the rest of the brand.

88. Research is by its nature speculative and The University of Adelaide has not provided any guarantee that the research project will be successful or able to be commercialised.

89. Liquor Retail in Australia, IBIS Report May 2020.



### 3.7.4 Portfolio expansion

The successful market launch of Grainshaker and the finalisation and launch of the agave brand are two key focus areas for growth in spirit products in the forecast period. Delivering these outcomes will provide Top Shelf with competitive products in three out of the seven key spirit market segments.

Given Top Shelf's core capability system of being a repeatable brand platform, Top Shelf has the capacity to launch further brands. There are three key areas where Top Shelf can expand its portfolio of brands.

- *New brands in existing spirit categories* – this is to enable targeting new customers sub-segments; a common growth strategy of all of the global spirit companies. Examples in whisky and vodka include:
  - *Diageo* – Johnny Walker, J&B, Bulleit (whiskies); Smirnoff Red, Ciroc (vodkas)
  - *Suntory* – Jim Beam, Canadian Club, Makers Mark (whiskies); and
  - *Pernod Ricard* – Ballantines, Chivas Regal, The Glenlivet (whiskies); Absolute, Wyborowa (vodkas)
  - *Bacardi* – Grey Goose, 42 Below (vodkas).
- *New brands in new spirit categories* – such as the gin category where incremental capital at Campbellfield would be minimal.
- *New brands in non-spirit categories* – using the flexibility of the third party packaging to enter new non-alcoholic beverages.

### 3.7.5 International distribution – USA and China

The benefit of growth internationally is access to even larger addressable markets, building global reputation in the brands, and improving margins through lower tax excise markets and from attractive foreign exchange rates. The two priority markets offshore for Top Shelf are the USA and China.

To penetrate international markets a phased market entry strategy would be pursued, including the following key steps:

- *Trademark established in the USA and process well progressed in China* – to protect intellectual property of the brands.
- *Partner with a local distribution partner in the target market* – to support in market activities of the brands
- *Engage with a cut through celebrity/industry ambassador in the target market to elevate the brands* – to activate the brands
- *Build a brand presence through a range of online and offline trade launch marketing efforts* – to create mental availability in relation to the brands
- *Provide access to the products through e-commerce in the target market* – lower cost market entry and market testing for the brands
- *Test the consumer market and the robustness of distribution channels in a select group of on-premise/off-premise sales channels and geographic sub regions* – to determine best positioning of the brands
- *Scale the opportunity to broader channels and broader geographic sub regions in the target market* – by creating broader channel and geographic dispersed relationships
- *Scale the brands through established market channels* – pull through other brands through the market channel

### 3.7.6 Inorganic growth through acquisitions and strategic partnerships

Aligned with its ambition to become Australia's leading spirits company both domestically and offshore, Top Shelf will actively scan the market for opportunities to accelerate the growth journey through acquisition or strategic partnerships. This is most likely to be targeted at consolidation for scale or acquisition for capability opportunities within the broader craft spirits market.

Top Shelf will pursue a disciplined screening process in assessing acquisition and partnering opportunities that includes key steps such as: establishing a commercial framework within which a relationship can be established; undertaking due diligence; and making a recommendation to an independent investment committee as to whether an investment should proceed.

### 3. Company Overview

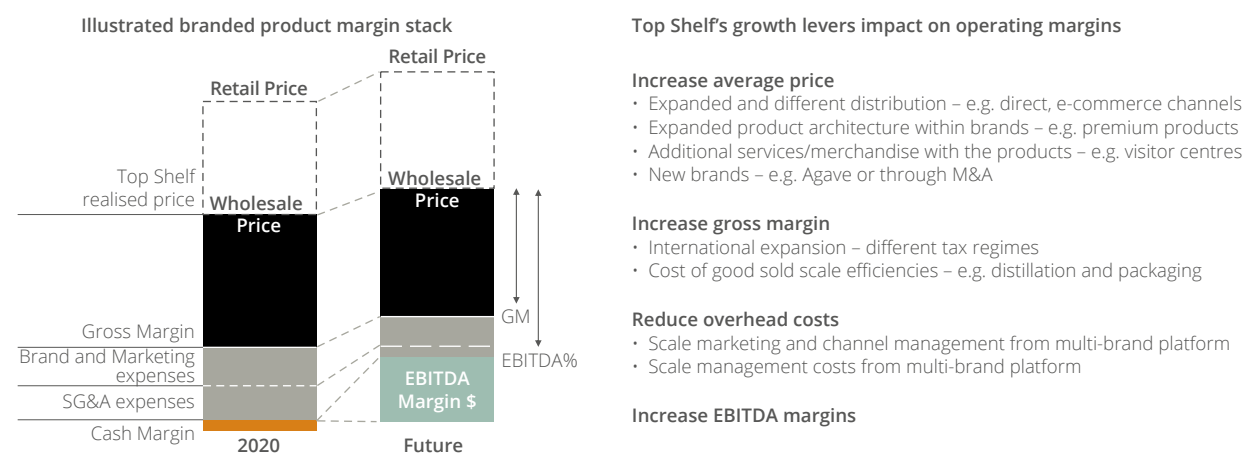
#### 3.7.7 Growth levers support revenue and operating margin growth

While a common goal of all growth levers is to increase revenue, the increase in scale can also have a positive reinforcing benefit on growing operating margin. Increasing scale helps drive operating leverage – this is where the fixed costs to operate the business are shared over a higher level of productive output. This increase in operating leverage can help to reduce the per unit cost of goods sold as labour and equipment is utilised more productively in transforming inputs into alcoholic spirit products. It can deliver a reduction in per unit cost of selling, general and administration costs as the management team becomes more productive in managing more product sales through similar channels. It can lead to more efficient spend on marketing and brand through both greater procurement leverage in sourcing marketing and brand services and through the cross-brand benefits of operating a multi-brand platform.

A number of Top Shelf's growth levers are also focused on improving other sub-components that make up operating margin. A number of growth strategies are targeted at achieving a higher retail price for Top Shelf's products such as efforts to expand products within the brand family with the introduction of more premium prices and the introduction of new brands within the Top Shelf portfolio of brands. Equally, efforts to expand and broaden distribution channels can assist to both increase the ultimate retail price or reduce the distribution cost associated with Top Shelf's distribution partners. Leveraging the benefits of direct to consumer and e-commerce channels are two important channel strategies that are available to Top Shelf as it grows. Growth internationally comes with different market pricing and tax regimes from that in Australia, this can also influence operating margins.

An illustrative example of the interface between growth levers and operating margin is highlighted in the Figure 25.

**Figure 3.9: The interface between growth levers and operating margin for Top Shelf**



### 3.8 Partnerships and sustainability

#### 3.8.1 Community and partnerships

People are a strategic pillar of the Top Shelf business. and this extends to the people in our local communities who support and enable our business to grow.

During COVID-19, Top Shelf turned its facilities to production of an ethanol based sanitiser that resulted in the development of the Top Shelf Goodwill community program. To support the hospitality community, Top Shelf continues to donate sanitiser and packaging for sale, donation to customers or their stakeholders, or provide to staff. In addition, as health workers and emergency services continue to be the front line of battling COVID-19 in Australia, Top Shelf has donated and continues to donate sanitiser and specially created face masks to services such as the CFA, state and territory police forces and to charity organisations.

In addition to its Goodwill community program, Top Shelf has aligned itself with several key charity organisations that also align with its core customers and brands including Beard Season and Variety Club Bash.

### 3.8.2 Sustainability

The Eden Lassie farm, led by industry veteran Chris Monsour, is managing the agave farming landscape to minimise the impact on the environment and improve the quality of the land the company is using to grow the agave. The farm is only 4 kilometres from the sea, and with creeks bordering the property that run straight into reef waters. Protecting the natural environment is recognised as a significant responsibility.

Through the development of a very clear operational framework and farming practices based on “precision agriculture” Top Shelf aims to minimise the impact of its farming practices to prevent the loss of valuable soil from the property into waterways, where it can degrade water quality and end up as sediment in the sea. In addition, various other initiatives include:

- *Use of ‘cover crops’* – development of complementary cropping regimes with the agave system that will naturally increase soil composition and greater flora and fauna bio-diversity on the farm.
- *Weed management* – development of suitable spray-on biodegradable polymers with no or minimal residue along with compostable mulch film made from corn starch to suppress weeds in an integrated approach.
- *Natural soil amendments* – using a range of natural soil amendments, biofertilisers and biostimulants to optimise the growth of the agave while reducing the need for synthetic additives.
- *GPS tractor controls* – utilising GPS guidance to ensure tractors follow established wheel tracks helping to avoid widespread soil compaction, allowing water to penetrate the soil more easily and minimise runoff and erosion.
- *Drone and robotic monitoring* – utilising drones fitted with infrared cameras to count and monitor the growth and nutrition status of the agave. Ground based robots fitted with an array of sensors are planned to be used to identify weeds and deploy target-specifically controls when required.
- *Remote sensing* – Novel sensor equipment is being developed to enable interactive in-field scanning of individual plants to generate a ‘real-time’ status profile.

The Eden Lassie farm is also an applicant for participation in the recently announced government Carbon Farming Initiative which is a voluntary carbon offsets scheme. This is a component of the Emissions Reduction Fund and allows land managers to earn carbon credits by changing land use or management practices to store carbon or reduce greenhouse gas emissions. Adopting practices which result in soil carbon offsets or credits is not just limited to the income generated or the benefits of the capture and storage of carbon, it also results in improved the farming processes.

## 3.9 People and culture

### 3.9.1 Top Shelf’s team

A key success factor in the growth of Top Shelf to date has been the calibre and dedication of its team. This has extended to both permanent employees as well as a broad range of specialists who have contributed to the development of the business. More than providers of capital, all shareholders have been vested in the vision and doing their bit to make this vision a reality.

Top Shelf has benefited from a strong governance structure from the outset and as the business has developed the right people have been recruited into key roles.

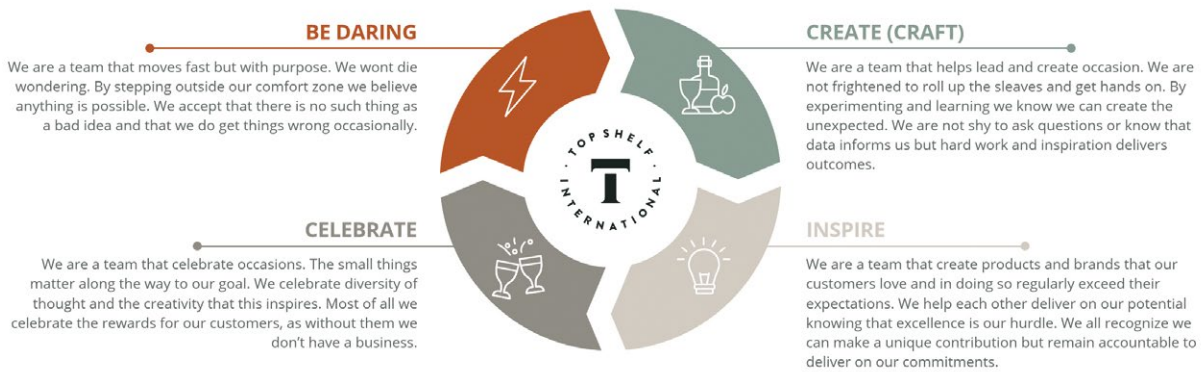
Against this background building an ambitious, creative and entrepreneurial culture has been central to Top Shelf’s success. Maintaining this as the Company grows is a strong focus to continue to develop the Company.

### 3.9.2 Our company ethos and values

At the centre of our culture is a daring spirit. The power of this spirit cannot be overstated. It is where Top Shelf came from, it defines us and it continues to provide a unifying energy that brings our people, our partners and our customers together to collectively achieve great things.

### 3. Company Overview

Figure 3.10: Top Shelf company ethos



#### 3.9.3 Workplace Health and Safety

Top Shelf is committed to providing a health and safety work environment for employees, contractors, customers, co-packing clients, visitors and the public. To help achieve this outcome, Top Shelf takes a systematic approach to managing and controlling health and safety hazards and risks through:

- the assessment of risk relating to hazards in the workplace;
- the development and implementation of policies and safe work practices to support risk control efforts;
- the engagement with workers in understanding, assessing, reducing and controlling health and safety risk;
- the provision of appropriate facilities, equipment, education, training and supervision;
- seeking advice and input from subject matters experts as required;
- seeking to understand its legislative obligations and industry standards that support operational compliance efforts; and
- the continuous improvement of its systems, practices and procedures to confirm their continued effectiveness and relevance.





# 4.

## Financial Information

## 4. Financial Information

### 4.1 Introduction

The financial information contained in this Section 4 has been prepared by Top Shelf on a consolidated basis, including all of its subsidiaries, for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**), together with the forecast financial information for the financial year ending 30 June 2021 (**FY21**).

#### Overview of Top Shelf's Financial Information

	Statutory financial information	Pro forma financial information
<b>Historical Financial Information</b>	<p>The <b>Statutory Historical Financial Information</b> comprises the following:</p> <ul style="list-style-type: none"> <li>statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20 (<b>Statutory Historical Results</b>);</li> <li>statutory historical consolidated cash flows for FY18, FY19 and FY20 (<b>Statutory Historical Cash Flows</b>); and</li> <li>statutory historical consolidated statement of financial position as at 30 June 2020 (<b>Statutory Historical Statement of Financial Position</b>)</li> </ul>	<p>The <b>Pro Forma Historical Financial Information</b> comprises the following:</p> <ul style="list-style-type: none"> <li>pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20 (<b>Pro Forma Historical Results</b>);</li> <li>pro forma historical consolidated cash flows for FY18, FY19 and FY20 (<b>Pro Forma Historical Cash Flows</b>); and</li> <li>pro forma historical consolidated statement of financial position as at 30 June 2020 (<b>Pro Forma Historical Statement of Financial Position</b>)</li> </ul>
<b>Forecast Financial Information</b>	<p>The <b>Statutory Forecast Financial Information</b> comprises the following:</p> <ul style="list-style-type: none"> <li>statutory forecast consolidated statement of profit or loss for FY21 (<b>Statutory Forecast Results</b>); and</li> <li>statutory forecast consolidated cash flows for FY21 (<b>Statutory Forecast Cash Flows</b>).</li> </ul>	<p>The <b>Pro Forma Forecast Financial Information</b> comprises the following:</p> <ul style="list-style-type: none"> <li>pro forma forecast consolidated statement of profit or loss for FY21 (<b>Pro Forma Forecast Results</b>); and</li> <li>pro forma forecast consolidated cash flows for FY21 (<b>Pro Forma Forecast Cash Flows</b>).</li> </ul>

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information**.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also contained in this Section 4 is:

- the basis of preparation and presentation of the Financial Information (Section 4.2.1 – 4.2.4);
- a summary of recently adopted changes to Australian Accounting Standards (**AAS**) (Section 4.2.5);
- an explanation of certain non-IFRS financial measures (Section 4.2.6);
- a description of the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Financial Information and reconciliation between the Statutory Historical Financial Information and Statutory Forecast Financial Information to the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information respectively (Sections 4.3.4, 4.4 and 4.5.3);
- Top Shelf's key operating and financial metrics (Section 4.3.2);
- a summary of Top Shelf's indebtedness before and after the Offer (Section 4.4.2);
- a description of Top Shelf's financing facility (Section 4.4.3);
- a summary of Top Shelf's liquidity and capital resources (Section 4.4.4);

- a summary of Top Shelf's contractual obligations and capital commitments (Section 4.4.5);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Section 4.6);
- management discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (Section 4.7);
- key sensitivities in respect of the Pro Forma Forecast Financial Information (Section 4.8); and
- a summary of Top Shelf's intended dividend policy (Section 4.9).

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand. Rounding of figures provided in the tables may result in some differences between the sum of components and the totals outlined within the tables and percentage calculations.

The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Financial Information, as defined above, has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Ernst & Young Strategy and Transactions Limited (the Investigating Accountant) whose Independent Limited Assurance Report is contained in Section 8. Investors should note the scope and limitations of the report.

## 4.2 Basis of preparation and presentation of the Financial Information

### 4.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Top Shelf, together with its Forecast Financial Information.

The Directors of Top Shelf are responsible for the preparation and presentation of the Financial Information.

The Statutory Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of AAS issued by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The significant accounting policies of Top Shelf are set out in Section 10. In preparing the Statutory Historical Financial Information and Statutory Forecast Financial Information, the accounting policies of Top Shelf have been applied consistently throughout the periods.

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared in accordance with the recognition and measurement principles contained in AAS other than to include adjustments that have been prepared in a manner consistent with AAS that reflect:

- the exclusion of certain transactions that have occurred or are forecast to occur in the relevant periods; and
- the impact of certain transactions as if they occurred on or before 30 June 2020 in the Pro Forma Historical Financial Information on or after 1 July 2020 in the Pro Forma Forecast Financial Information.

Due to their nature, the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information do not represent Top Shelf's actual or prospective financial position, financial performance or cash flows.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

Top Shelf has one reportable operating segment under AASB 8 *Operating Segments* being the production, marketing and sale of branded beverages and provision of contract packaging services to third party beverage manufacturers in Australia.

## 4. Financial Information

### 4.2.2 Preparation of Historical Financial Information

#### Statutory Historical Financial Information

The Statutory Historical Financial Information has been derived from the respective consolidated general purpose financial statements of Top Shelf for FY18, FY19 and FY20.

The consolidated financial statements of Top Shelf for FY18, FY19 and FY20 were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion on the consolidated financial statements for FY18 with respect to inventory balances as at 1 July 2017 and also included a material uncertainty related to going concern. Ernst & Young issued unqualified audit opinions and included a material uncertainty related to going concern, on the consolidated financial statements for FY19 and FY20.

#### Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information and adjusted for the effects of the pro forma adjustments described in Sections 4.3.4, 4.4.1 and 4.5.3. In particular, pro forma adjustments have been made to reflect:

- the incremental costs of being a publicly listed entity, including board and governance costs, incremental executive management remuneration, incremental compliance and investor relations related costs and ASX listing fees;
- the anticipated borrowing structure following the Offer inclusive of the new Financing Facility (refer Sections 4.4.2 and 4.4.3) and the exclusion of finance costs associated with existing borrowings intended to be repaid with the proceeds of the Offer or converted to ordinary shares in Top Shelf at Completion of the Offer; and
- the impact of the Offer, including the proceeds from the Offer and costs of the Offer.

Investors should note that past results are not a guarantee of future performance.

### 4.2.3 Going Concern

Top Shelf has experienced recurring losses in the past and incurred a statutory historical net loss after tax of \$4.8 million and net cash outflows from operating activities of \$5.1 million for FY20. As at 30 June 2020 Top Shelf had net current assets of \$0.1 million and net assets of \$16.6 million.

These financial results reflect a significant investment that has been made in establishing production facilities, building inventories of maturing whisky, continued brand promotion, growth of the workforce in line with increased revenue and preparation for expansion into new markets including the production of new product lines and securing supply chains.

The Financial Information has been prepared on a going concern basis, which assumes the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

Top Shelf is forecast to incur an operating loss and net cash outflows from operating activities for FY21, however, based on the funds raised from the Offer and the Financing Facility (refer Section 4.4.3), the Directors believe that Top Shelf will be able to meet its commitments for a period of at least 12 months from the Offer and have determined that Top Shelf will have sufficient cash after the Offer to meet its ongoing obligations and stated business objectives. On this basis, the Directors believe the going concern basis of accounting is appropriate in the preparation of the Financial Information.

Should the Offer and the new Financing Facility not proceed, Top Shelf will restructure its funding and raise additional funds to support ongoing funding requirements. Under this scenario, Top Shelf will also reduce expansion plans and tailor the business to meet ongoing trading requirements, implement alternate strategies which include extending payment and credit terms, implement expense saving and efficiency actions without adversely impacting revenue generation. The Board of Directors are satisfied that these actions are practical and achievable and are therefore satisfied there are reasonable grounds to conclude Top Shelf can continue as a going concern even if the Offer were not to proceed.



Should these strategies not be successful, there is a material uncertainty that may cast significant doubt on Top Shelf's ability to continue as a going concern, and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Statutory Historical Financial Information. The Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should Top Shelf not continue as a going concern.

#### **4.2.4 Preparation of Forecast Financial Information**

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The Forecast Financial Information has been prepared by the Directors having regard to an assessment of the current economic and operating conditions, and based on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.6.

The Directors have prepared the Forecast Financial Information with due care and attention and believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the Directors' best estimate general and specific assumptions set out in Section 4.6, sensitivity analysis described in Section 4.8, the risks described in Section 5, the significant accounting policies set out in Section 10 and other information in this Prospectus. The inclusion of these assumptions and risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Top Shelf's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside of Top Shelf's control and are not readily predictable. Accordingly, none of Top Shelf, its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information for FY21 have regard to Top Shelf's current trading performance up until the date of this Prospectus.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how Top Shelf's statutory consolidated financial statements are expected to be prepared for future financial periods. The Statutory Forecast Financial Information is the best estimate of the financial performance and cash flows that the Directors expect to report in Top Shelf's general purpose statutory consolidated financial statements for FY21.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information adjusted for the effect of the pro forma adjustments described in Sections 4.3.4 and 4.5.3. In particular, pro forma adjustments have been made to reflect:

- the incremental costs of being a publicly listed entity, including board and governance costs, incremental executive management remuneration, incremental compliance and investor relations related costs and ASX listing fees;
- the impact of the Offer, including the proceeds from the Offer and costs of the Offer; and
- the anticipated borrowing structure following the Offer (refer Sections 4.4.2 and 4.4.3) and the exclusion of finance costs and fees associated with existing borrowings intended to be repaid with the proceeds of the Offer or converted to ordinary shares in Top Shelf at Completion of the Offer.

Top Shelf does not intend to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law and regulation.

## 4. Financial Information

### 4.2.5 Changes in accounting standards

Top Shelf has adopted all of the new and amended AAS and Interpretations issued by the AASB that are effective and applicable to the Financial Information.

Top Shelf early adopted AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* from 1 July 2017.

### 4.2.6 Explanation of certain non-IFRS financial measures

The Directors use certain measures to manage and report on Top Shelf that are not recognised under AAS or IFRS. These measures are collectively referred to as **non-IFRS financial measures** under Regulatory Guide 230 *Disclosing non-IFRS financial information* published by ASIC. These non-IFRS financial measures do not have a prescribed meaning or standard definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. The non-IFRS financial measures should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although non-IFRS financial measures can provide useful information for measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** represents earnings or losses before net finance costs, income tax, depreciation and amortisation;
- **EBIT** represents earnings or losses before net finance costs and income tax;
- **net cash/(debt)** represents cash and cash equivalents less gross borrowings and lease liabilities recognised in accordance with AASB 16 *Leases*;
- **net operating cash flow** represents EBITDA excluding non-cash items in EBITDA and changes in working capital;
- **working capital** represents trade and other receivables, inventories and other current assets (including prepayments) less trade and other payables, and provisions (including employee entitlement benefits); and
- **net cash flows before financing activities** represents net operating cash flow and investing activities.

Although the Directors believe that these measures provide useful information about Top Shelf's financial performance and cash flows, they should be considered as supplements to the measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, IFRS, or any other recognised body of accounting standards, they do not have prescribed definitions, and the way Top Shelf calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

## 4.3 Historical and forecast results

### 4.3.1 Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

Table 4.1 sets out the pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20, the pro forma forecast consolidated statement of profit or loss for FY21 and the statutory forecast consolidated statement of profit or loss for FY21.

Table 4.1: Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results

AUD in thousands	Notes	Pro forma historical			Pro forma forecast	Statutory forecast
		FY18	FY19	FY20	FY21	
<b>Revenue</b>	1	<b>671</b>	<b>2,163</b>	<b>7,679</b>	<b>19,970</b>	<b>19,970</b>
Cost of sales	2,8	(790)	(1,565)	(5,876)	(15,415)	(15,415)
<b>Gross profit</b>		<b>(120)</b>	<b>598</b>	<b>1,803</b>	<b>4,555</b>	<b>4,555</b>
Other income	3	3	299	432	276	276
Operating expenses						
Distribution		(36)	(113)	(315)	(326)	(326)
Labour	4	(528)	(1,008)	(1,893)	(4,615)	(4,176)
Share based payments	5	(202)	(459)	–	(2,968)	(2,968)
Sales & marketing	6	(148)	(231)	(2,004)	(3,201)	(3,201)
General & administration	7	(574)	(1,246)	(2,894)	(4,073)	(5,254)
Depreciation & amortisation	8	(205)	(283)	(358)	(413)	(413)
Operating expenses – total		(1,692)	(3,340)	(7,463)	(15,596)	(16,339)
Add back depreciation & amortisation in cost of sales and operating expenses	8	205	283	815	907	907
<b>EBITDA</b>		<b>(1,604)</b>	<b>(2,159)</b>	<b>(4,412)</b>	<b>(9,859)</b>	<b>(10,601)</b>
Depreciation & amortisation	8	(205)	(283)	(815)	(907)	(907)
<b>EBIT</b>		<b>(1,809)</b>	<b>(2,443)</b>	<b>(5,227)</b>	<b>(10,765)</b>	<b>(11,508)</b>
Net finance costs	9	(161)	(599)	(914)	(1,190)	(2,569)
<b>Loss before taxation</b>		<b>(1,970)</b>	<b>(3,042)</b>	<b>(6,142)</b>	<b>(11,955)</b>	<b>(14,076)</b>
Income tax benefit	10	326	165	1,705	2,472	3,055
<b>Net loss after taxation</b>		<b>(1,644)</b>	<b>(2,877)</b>	<b>(4,436)</b>	<b>(9,484)</b>	<b>(11,021)</b>

Notes:

1. **Revenue** reflects the sale of branded beverage products (net of discounts and rebates) and the performance of contract packaging services.
2. **Cost of sales** includes excise duties and the direct costs of producing branded beverage products and performance of the contract packaging services inclusive of raw materials, direct labour and manufacturing overheads including utilities and depreciation.
3. **Other income** comprises research and development income associated with eligible activities and expenditure, and sundry income. Research & development income associated with capital expenditure is recognised against the related additions to property, plant & equipment or intangible assets in Top Shelf's statutory historical consolidated statement of financial position.
4. **Labour** comprises remuneration related costs associated with Top Shelf's sales & marketing, administration and corporate functions.
5. **Share based payments** reflect a non-cash expense relating to ordinary shares granted to directors in FY18 and FY19 for nil consideration, and, in FY21, Top Shelf's long term incentive plan. Refer to Section 6.3.4.1.
6. **Sales & marketing expenses** relate to branding, advertising and marketing activities of Top Shelf inclusive of the cost of promotional product.
7. **General & administration expenses** comprise professional and contractor fees, insurance premiums, occupancy costs (including unallocated utilities), agave farm operating costs, and other general expenses. The statutory forecast consolidated profit or loss additionally includes transaction costs associated with the Offer.
8. **Depreciation and amortisation expense** is recognised within cost of sales for depreciation of specific production and storage plant & equipment and right of use assets. The depreciation and amortisation expense disclosed within operating expenses reflects the depreciation of unallocated and corporate plant and equipment assets. Refer to Section 10 in relation to Top Shelf's property, plant & equipment accounting policy.

## 4. Financial Information

9. **Net finance costs** comprise interest expense related to Top Shelf's Financing Facility (refer Section 4.3.4) and lease liabilities recognised in accordance with AASB 16 Leases. Statutory forecast consolidated net finance costs additionally recognise finance costs associated with existing borrowings for the period from 1 July 2020 to the completion date of the Offer, which are intended to be settled by Top Shelf upon Completion of the Offer, and cessation fees associated with the existing borrowings.
10. **Income tax benefit** recognises the statutory historical and forecast income tax benefit and tax-effected pro forma adjustments (refer Section 4.3.4) calculated with an income tax rate of 27.5%, reflecting the Australian statutory rate for small companies. Top Shelf has recognised income tax losses carried forward as a deferred tax asset (\$2.9 million as at 30 June 2020) on the basis that there is sufficient probability of future taxable profits being available against which the carried forward income tax losses can be used. At 30 June 2020, Top Shelf also had \$1.1 million of unbooked tax losses.

### 4.3.2 Key operating and financial metrics

Table 4.2 sets out the key financial metrics for FY18, FY19 and FY20 derived from the Pro Forma Historical Information and key financial metrics for FY21 derived from the Pro Forma Forecast Financial Information and other operational metrics for these periods.

**Table 4.2: Key operating and financial metrics**

	Notes	FY18	FY19	FY20	FY21
<b>Operating</b>					
Branded product inventory (whisky, vodka, agave)					
LALs on hand at year end ('000 LALs)	1	15	54	218	778
Litres on hand at year end (at 40.0% ABV) ('000 L)	1	39	135	545	1,945
Branded internal distillation production					
LALs produced ('000 LALs)	2	–	2	55	353
Litres produced (at 40.0% ABV) ('000 L)	2	–	6	137	882
Agave					
Number of agave plants maturing at year end	3	–	20,000	241,222	412,000
<b>Financial</b>					
Revenue					
Branded		671	1,760	4,072	12,674
Contract packaging		–	403	3,607	7,296
Revenue – total		671	2,163	7,679	19,970
Revenue growth %	4	n/a	222.5%	255.0%	160.0%
Gross profit %	5	–17.8%	27.6%	23.5%	22.8%
Net sales value of whisky on hand at year end (\$'000)	6	2,200	7,727	31,157	106,943

Notes:

- Branded product inventory – Whisky, Vodka and Agave:** LAL is Litres of Alcohol as defined for tax excise calculations. The LAL metric normalises volume of alcohol as the measure eliminates variances in the alcohol by volume (ABV) percentage.  
A spirit in bottle format is typically sold at 40.0% ABV (and in RTD format ranges between approximately 4.0% – 9.0%). The number of whisky LALs on hand represents the whisky inventory available for sale normalised to the number of litres at 40.0% ABV. For example, 1.0 LAL is the equivalent of 2.5 litres of whisky production at 40.0% ABV.
- Branded internal distillation production – Whisky, Vodka and Agave:** Branded production is sourced from distillation by Top Shelf. Distillation production volume is used by Top Shelf as an indicator of the scale and throughput of the distillation operation.  
Top Shelf supplements internal distillation production of whisky via a supply agreement with another Australian distiller in accordance with Top Shelf's whisky mash bill (as described in Section 3.4.3), which is stored for the maturation period in Top Shelf's inventory storage facility. Third party supply of whisky has been excluded from this operating metric.



3. **Number of Agave Plants:** The number of agave plants and subsequently the size and yield from each plant determine the volume of agave available for distillation. The anticipated plant growing cycle is four to five years, with approximately 20% of the plants harvested annually. This operating metric reflects agave plants in ground at the Eden Lassie agave farm and plants maturing for future planting either at the agave farm or held by third party nurseries on behalf of Top Shelf.
4. **Revenue growth (%):** Revenue growth is calculated as the year-on-year movement in revenue divided by prior period revenue expressed as a percentage.
5. **Gross profit (%):** Gross profit percentage is calculated as revenue less costs of sales divided by revenue expressed as a percentage.
6. **Net Sales Value of whisky on hand at year end:** The litres on hand at year end multiplied by the anticipated wholesale sales value per 700 mL bottle of \$40, is used by Top Shelf as an indicator of future wholesales revenue when the whisky has matured. This financial metric excludes the net sales value of vodka and agave on hand at year end.

### 4.3.3 Statutory Historical Results

Table 4.3 sets out the statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20.

**Table 4.3: Statutory Historical Results**

AUD in thousands	Notes	FY18	FY19	FY20
<b>Revenue</b>	1	<b>671</b>	<b>2,163</b>	<b>7,679</b>
Cost of sales	2, 8	(790)	(1,565)	(5,876)
<b>Gross profit</b>		<b>(120)</b>	<b>598</b>	<b>1,803</b>
Other income	3	3	299	432
Operating expenses				
Distribution		(36)	(113)	(315)
Labour	4	(283)	(723)	(1,627)
Share based payments	5	(202)	(459)	–
Sales & marketing	6	(148)	(231)	(2,004)
General & administration	7	(366)	(1,017)	(2,612)
Depreciation & amortisation	8	(205)	(283)	(358)
Operating expenses – total		(1,239)	(2,826)	(6,916)
Add back depreciation & amortisation in cost of sales and operating expenses	8	205	283	815
<b>EBITDA</b>		<b>(1,151)</b>	<b>(1,646)</b>	<b>(3,865)</b>
Depreciation & amortisation	8	(205)	(283)	(815)
<b>EBIT</b>		<b>(1,356)</b>	<b>(1,929)</b>	<b>(4,680)</b>
Net finance costs	9	(663)	(1,027)	(2,006)
<b>Loss before taxation</b>		<b>(2,019)</b>	<b>(2,956)</b>	<b>(6,686)</b>
Income tax benefit	10	339	141	1,855
<b>Net loss after taxation</b>		<b>(1,680)</b>	<b>(2,815)</b>	<b>(4,831)</b>

Notes:

Refer to notes under Table 4.1 for an explanation of each of the items included above in the Statutory Historical Results. In addition, specifically in relation to the Statutory Historical Results:

9. **Net finance costs** comprise interest expense related to Top Shelf's existing borrowings and lease liabilities recognised in accordance with AASB 16 Leases.
10. **Income tax benefit** recognises losses before tax with Top Shelf's actual effective income tax rate applicable to each period.

## 4. Financial Information

### 4.3.4 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 4.4 sets out the pro forma adjustments that have been made to the Statutory Historical Results and Statutory Forecast Results at the EBITDA and net loss after tax lines.

**Table 4.4: Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results**

AUD in thousands	Notes	FY18	FY19	FY20	FY21
<b>Statutory EBITDA</b>		<b>(1,151)</b>	<b>(1,646)</b>	<b>(3,865)</b>	<b>(10,601)</b>
Listed company costs	1	(453)	(514)	(547)	(526)
Offer costs	2	–	–	–	1,268
<b>Pro forma EBITDA</b>		<b>(1,604)</b>	<b>(2,159)</b>	<b>(4,412)</b>	<b>(9,859)</b>
<b>Statutory net loss after tax</b>		<b>(1,680)</b>	<b>(2,815)</b>	<b>(4,831)</b>	<b>(11,021)</b>
Listed company costs	1	(453)	(514)	(547)	(526)
Offer costs	2	–	–	–	1,268
Net finance costs	3	502	428	1,092	1,379
Tax effect of the pro forma adjustments	4	(13)	24	(150)	(583)
<b>Pro forma net loss after tax</b>		<b>(1,644)</b>	<b>(2,877)</b>	<b>(4,436)</b>	<b>(9,484)</b>

Notes:

1. **Listed company costs** reflect the estimated incremental costs associated with being a listed entity. These costs include board costs, incremental executive management remuneration, ASX listing fees, and other public company costs including estimated share registry and investor relations costs.
2. **Offer costs** associated with the sale of existing shares by the Selling Shareholders are forecast to be expensed in the statutory forecast consolidated statement of profit or loss and excluded from the pro forma forecast consolidated statement of profit or loss.
3. **Net finance costs** adjustment to reflect the anticipated borrowings upon Completion of the Offer. Refer Sections 4.4.2 and 4.4.3. On this basis, financing costs associated with existing borrowings are excluded from the pro forma historical and pro forma forecast results. The statutory forecast results include finance costs associated with existing borrowings for the period from 1 July 2020 to the completion date of the Offer and cessation fees associated with the existing borrowings. Refer to the pro forma adjustments to the statutory historical consolidated statement of financial position in Section 4.4.1 and the intended sources and uses of funds of the Offer in Section 7.1.3.
4. **Tax effect** of the pro forma adjustments calculated using a tax rate of 27.5% reflecting the Australian statutory rate for small companies.

## 4.4 Statutory and Pro Forma Historical Statement of Financial Position

### 4.4.1 Overview

Table 4.5 sets out the pro forma adjustments that have been made to the Statutory Historical Statement of Financial Position as at 30 June 2020 to present a Pro Forma Historical Statement of Financial Position as at 30 June 2020 reflecting the following adjustments:

- the impact of the Offer, including proceeds from the Offer and costs of the Offer; and
- changes to Top Shelf's borrowings structure upon Completion of the Offer including repayment or conversion of certain existing borrowings using the proceeds from the Offer, and proceeds from the Financing Facility.

Further information on the sources and uses of the Offer proceeds is contained in Section 7.1.3.

Table 4.5: Statutory and Pro Forma Historical Statement of Financial Position as at 30 June 2020

AUD in thousands	Statutory historical	1. Impact of the Offer	2. Borrowings	Pro forma historical
Cash and cash equivalents	1,656	30,438	(8,571)	23,523
Trade and other receivables	2,602	–	–	2,602
Inventories	3,330	–	–	3,330
Other current assets	2,486	–	–	2,486
<b>Current assets</b>	<b>10,074</b>	<b>30,438</b>	<b>(8,571)</b>	<b>31,941</b>
Property, plant & equipment	21,152	–	–	21,152
Right of use assets – Buildings	4,714	–	–	4,714
Right of use asset – Agave Farm Land	2,822	–	–	2,822
Intangible assets	1,603	–	–	1,603
Deferred tax asset	2,689	1,255	–	3,943
Biological assets	729	–	–	729
Other non-current assets	225	–	–	225
<b>Non current assets</b>	<b>33,934</b>	<b>1,255</b>	<b>–</b>	<b>35,188</b>
<b>Total assets</b>	<b>44,007</b>	<b>31,692</b>	<b>(8,571)</b>	<b>67,129</b>
Trade and other payables	(5,209)	–	–	(5,209)
Borrowings	(1,695)	–	1,695	–
Lease liabilities – Buildings	(616)	–	–	(616)
Lease liability – Agave Farm Land	(2,205)	–	–	(2,205)
Provisions	(220)	–	–	(220)
<b>Current liabilities</b>	<b>(9,946)</b>	<b>–</b>	<b>1,695</b>	<b>(8,251)</b>
Borrowings	(12,807)	–	8,875	(3,932)
Lease liabilities – Buildings	(4,347)	–	–	(4,347)
Provisions	(302)	–	–	(302)
<b>Non current liabilities</b>	<b>(17,457)</b>	<b>–</b>	<b>8,875</b>	<b>(8,582)</b>
<b>Total liabilities</b>	<b>(27,403)</b>	<b>–</b>	<b>10,571</b>	<b>(16,833)</b>
<b>Net assets</b>	<b>16,604</b>	<b>31,692</b>	<b>2,000</b>	<b>50,297</b>
Issued capital	26,621	32,612	2,000	61,233
Accumulated losses	(10,016)	(919)	–	(10,936)
<b>Equity</b>	<b>16,604</b>	<b>31,692</b>	<b>2,000</b>	<b>50,297</b>

## 4. Financial Information

Notes:

1. **Impact of the Offer** Adjustment reflects the gross proceeds of the Offer (\$35.0 million) and associated costs of the Offer (\$4.6 million). The costs of the Offer in relation to proceeds of the Offer received by Top Shelf have been recognised against Issued Capital (\$2.4 million) and costs of the Offer in relation to the sale of existing shares by the Selling Shareholders have been recognised in Accumulated Losses (\$0.9 million) on a tax effective basis in the Pro Forma Historical Statement of Financial Position.
2. **Borrowings** Adjustment reflects a reduction in Borrowings of \$10.6 million inclusive of the following transactions upon Completion of the Offer.
  - The transactions reflected as an adjustment to Cash and cash equivalents of \$8.6 million include:
    - Repayment of \$10.0 million of existing borrowings with Longreach Credit and an associated facility cessation fee of \$0.9 million with funds from the Offer;
    - Repayment of \$2.6 million of borrowings with related parties with funds from the Offer (the repayment of \$2.6 million represents gross borrowings with related parties at Completion of the Offer of \$3.8 million net of related party borrowings drawn between 1 July 2020 and completion date of the Offer of \$1.2 million); net of
    - Net proceeds of \$4.9 million from the new Financing Facility, which represents gross proceeds of \$5.0 million net of facility establishment fees of \$0.1 million. Refer Section 4.4.3.
  - The transaction reflected as an adjustment to Issued Capital represents borrowings of \$2.0 million with related parties controlled by the Executive Chairman and Managing Director assumed to be reinvested in Top Shelf via a subscription for ordinary shares at the Offer Price at Completion of the Offer. Refer Section 6.3.2.6.

After Completion of the Offer, Top Shelf will have repaid or converted all related party borrowings.

### 4.4.2 Indebtedness and capitalisation

Table 4.6 summarises the indebtedness of Top Shelf as at 30 June 2020 on a statutory basis (before Completion of the Offer) and on a pro forma basis (assuming Completion of the Offer as at that date).

**Table 4.6: Statutory historical and pro forma historical indebtedness as at 30 June 2020**

AUD in thousands	Notes	Statutory historical	Pro forma historical
Cash and cash equivalents	1	1,656	23,523
Borrowings	1	(14,503)	(3,932)
<b>Net cash/(debt) (before lease liabilities)</b>		<b>(12,847)</b>	<b>19,591</b>
Lease liabilities	1,2	(7,169)	(7,169)
<b>Net cash/(debt) (including lease liabilities)</b>		<b>(20,016)</b>	<b>12,422</b>

Notes:

1. The statutory and pro forma historical net cash/(debt) position set out in Table 4.6 reflects the cash and cash equivalents, borrowings and lease liabilities recognised in accordance with AASB 16 *Leases* of Top Shelf as per the statutory and pro forma historical consolidated statement of financial position and associated pro forma adjustments set out in Section 4.4.1. Borrowings in the Pro Forma Statement of Financial Position reflect the Financing Facility. Refer Section 4.4.3.
2. Lease liabilities include \$2.2 million in relation to the agave farm which will be settled with the proceeds of the Offer in December 2020. Refer Section 7.1.3.

### 4.4.3 Financing facility

Top Shelf has entered into a credit approved term sheet with Longreach Credit for the provision of a working capital financing facility (the Financing Facility), with effect from Completion of the Offer at an equity market valuation of no less than \$75 million.

The key terms of the Financing Facility are summarised below.

#### Overview

The facility limit of the Financing Facility is the lower of the maximum (Maximum) and the borrowing base (defined below). The Maximum at Completion of the Offer will be \$8.0 million, increasing over a seven-month period by \$1.0 million per month to a Maximum of \$15.0 million. The maturity term is 36 months from Completion of the Offer.

The facility may be used by Top Shelf for working capital (accounts receivable and inventory), capital expenditure and other general corporate purposes.

Approximately \$5.0 million of the Financing Facility will be drawn at Completion of the Offer.

#### Borrowing base

The borrowing base (Borrowing Base) is defined as the aggregate of:

- 80% of trade receivables (less than 60 days past due);
- 70% of the present value of whisky inventory;
- 70% of the present value of oak barrel and vat storage assets; less

the equivalent of 24 months of lease costs of the inventory storage facility in Somerton, Victoria, vested employee entitlements and a \$0.5 million enforcement cost buffer.

#### Guarantors

The Financing Facility will be guaranteed by Top Shelf's subsidiary entities, Top Shelf International Packaging Pty Ltd, Top Shelf International Brands Pty Ltd and Top Shelf International Pty Ltd (collectively, the Obligor).

#### Security

Each Obligor will grant first ranking security over the present and after-acquired assets of each of the Obligors to secure the obligations under the Financing Facility.

#### Interest rates and fees

The Financing Facility will have an annual interest rate based on 7.25%. Should Top Shelf's market capitalisation decline below \$75.0 million, the annual interest rate will be 10.25%.

Fees payable in connection with the Financing Facility include the following:

- an establishment fee of \$0.1 million; and
- an undrawn fee equivalent of 75.0% of the annual interest rate incurred on any undrawn portion of the Financing Facility.



## 4. Financial Information

### Financial covenants

The Financing Facility contains financial covenants and other undertakings which are customary for facilities of this nature. The following covenants apply:

- the Financing Facility loan balance will remain less than the Borrowing Base; and
- Top Shelf's cash and cash equivalents will remain greater than the aggregate of the 12 month forecast of net loss before tax and cash flows from investing activities. This covenant will be tested on a quarterly basis.

Failure to meet the relevant financial covenants or breach of any of the undertakings may lead to an event of default under the Financing Facility. In the event of a default there may be a requirement to make repayments in advance of the relevant maturity date of any given facility. Top Shelf expects to remain in compliance with these financial covenants during the forecast period of FY21.

### Conditions precedent

The Financing Facility will proceed subject to:

- Top Shelf's market capitalisation being no less than \$75.0 million at Completion of the Offer; and
- repayment of the existing financing facilities with Longreach Credit in full.

### Existing financing facilities

It is Top Shelf's intention to fully settle the existing financing facilities with Longreach Credit of \$10.0 million with proceeds of the Offer. Top Shelf will incur a cessation fee of \$0.9 million in relation to the existing financing facilities. Refer Section 4.4.1 and Section 7.1.3.

#### 4.4.4 Liquidity and capital resources

Following Completion of the Offer, the principal sources of funds are expected to be undrawn amounts of the Financing Facilities and available cash on the Pro Forma Historical Statement of Financial Position.

Based on the above liquidity position and capital resources, the Directors believe that Top Shelf will have sufficient working capital at the time of its admission to the Official List for the following 12 months to carry out its stated business objectives discussed in this Prospectus and to meet operational requirements, capital investment in the business and the capital to support growth in its operations.

#### 4.4.5 Contractual obligations and capital commitments

Table 4.7 summarises Top Shelf's contractual obligations and commitments as at 30 June 2020.

**Table 4.7: Contractual obligations and capital commitments as at 30 June 2020**

AUD in thousands	Notes	
Within one year	1	297
Greater than 1 year but less than 5 years		–
<b>Contractual obligations and capital commitments</b>		<b>297</b>

Notes:

1. Top Shelf had committed production equipment capital expenditure of \$0.3 million as at 30 June 2020.

Top Shelf's property lease contractual obligations have been recognised in the Statutory Historical Statement of Financial Position as at 30 June 2020.

Top Shelf had given bank guarantees as at 30 June 2020 of \$0.2 million to various property landlords.

## 4.5 Historical and forecast cash flows

### 4.5.1 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

Table 4.8 sets out the pro forma historical consolidated cash flows for FY18, FY19 and FY20, the pro forma forecast consolidated cash flows for FY21 and the statutory forecast consolidated cash flows for FY21.

**Table 4.8: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows**

AUD in thousands	Notes	Pro forma historical			Pro forma forecast	Statutory forecast
		FY18	FY19	FY20	FY21	
<b>EBITDA</b>		<b>(1,604)</b>	<b>(2,159)</b>	<b>(4,412)</b>	<b>(9,859)</b>	<b>(10,601)</b>
Add back share based payment expense	1	202	459	–	2,968	2,968
Working capital movement	2	67	(139)	(1,235)	(3,511)	(3,511)
<b>Net operating cash flow</b>		<b>(1,336)</b>	<b>(1,839)</b>	<b>(5,647)</b>	<b>(10,402)</b>	<b>(11,145)</b>
Payments for property, plant & equipment	3	(8,283)	(10,216)	(5,043)	(2,044)	(2,044)
Payments for intangible assets	4	(198)	(750)	(1,012)	(447)	(447)
Payments for biological assets	5	–	(44)	(908)	(309)	(309)
Receipt of research & development income	6	–	1,122	219	763	763
Payments for security deposits		–	–	(225)	–	–
<b>Net cash flow before financing activities</b>		<b>(9,817)</b>	<b>(11,728)</b>	<b>(12,616)</b>	<b>(12,440)</b>	<b>(13,182)</b>
Lease payments	7	(161)	(436)	(1,056)	(2,946)	(2,946)
Net financing costs	8	–	(260)	(343)	(580)	(2,101)
Net proceeds from/(repayment) of borrowings	9				2,646	(4,899)
Net proceeds from capital raising activities	10					370
Proceeds from the Offer	11					35,000
Offer costs	11					(3,294)
<b>Net cash flow</b>		<b>(9,978)</b>	<b>(12,424)</b>	<b>(14,015)</b>	<b>(13,320)</b>	<b>8,947</b>

Notes:

1. **Share based payment expense** is excluded as a non-cash item.
2. **Working capital movement** includes trade and other receivables, inventories (including whisky laid down to mature and for sale in future periods) and other current assets less trade and other payables, and employee entitlement and other provisions.
3. **Payments for property, plant and equipment** includes the purchase and installation of production and storage plant and equipment including capitalised labour costs (FY20: nil; FY21: \$0.2 million) and administration equipment.
4. **Payments for intangible assets** relates to brand development expenditure including capitalised labour costs (FY20: \$0.4 million; FY21: \$0.4 million).
5. **Payments for biological assets** relate to the costs associated with the purchase, care and preparation of additional agave plants for planting at Top Shelf's agave farm, Eden Lassie.

## 4. Financial Information

6. **Receipt of research & development income:** reflects research & development income received in relation to investing activities including payments for property, plant & equipment, intangible assets and biological assets in accordance with AASB 120 *Accounting for Government Grants*.
7. **Lease payments** relate to Top Shelf's leasehold property arrangements for the Campbellfield production facility and Somerton storage facility in Melbourne, Victoria. Lease payments in relation to Top Shelf's agave farm, Eden Lassie, were \$0.5 million in FY20 with a further \$2.3 million assumed in FY21 inclusive of the final settlement payment of \$2.2 million in December 2020.
8. **Net financing costs** reflect the interest costs related to Top Shelf's Financing Facility in the pro forma historical and pro forma forecast consolidated cash flows. The statutory forecast consolidated cash flows additionally recognise finance costs associated with existing borrowings for the period from 1 July 2020 to Completion of the Offer, which is intended to be settled by Top Shelf upon Completion of the Offer including cessation fees associated with the existing borrowings, and establishment fees associated with commencement of the Financing Facility (refer Section 4.3.4).
9. **Net proceeds from/(repayment) of borrowings** reflects the anticipated drawings of Top Shelf's Financing Facility subsequent to Completion of the Offer to fund ongoing business operations in the pro forma forecast consolidated cash flows. The statutory forecast consolidated cash flows additionally recognise the repayment of Top Shelf's existing borrowings with the proceeds of the Offer. Refer Sections 4.4.1 and 7.1.3.
10. **Net proceeds from capital raising activities** reflect proceeds of shares acquired by a non-executive director prior to Completion of the Offer.
11. **Proceeds from the Offer and Offer costs:** the gross proceeds from the Offer (\$35.0 million) and the costs of the Offer have been recognised in the statutory forecast consolidated cash flows. The Offer costs include \$1.3 million recognised in the statutory forecast consolidated statement of profit or loss and an additional \$3.3 million anticipated to be recognised directly against Issued Capital in the Pro Forma Historical Statement of Financial Position. The Offer costs have been recognised in the Pro Forma Historical Statement of Financial Position on a tax effective basis. Refer Section 4.4.1.

### 4.5.2 Statutory Historical Cash Flows

Table 4.9 sets out the statutory historical consolidated cash flows for FY18, FY19 and FY20.

**Table 4.9: Statutory Historical Cash Flows**

AUD in thousands	Notes	FY18	FY19	FY20
<b>EBITDA</b>		<b>(1,151)</b>	<b>(1,646)</b>	<b>(3,865)</b>
Add back share based payment expense	1	202	459	–
Working capital movement	2	67	(139)	(1,235)
<b>Net operating cash flow</b>		<b>(883)</b>	<b>(1,326)</b>	<b>(5,100)</b>
Payments for property, plant & equipment	3	(8,283)	(10,216)	(5,043)
Payments for intangible assets	4	(198)	(750)	(1,012)
Payments for biological assets	5	–	(44)	(908)
Receipt of research & development income	6	–	1,122	219
Payments for security deposits		–	–	(225)
<b>Net cash flow before financing activities</b>		<b>(9,364)</b>	<b>(11,214)</b>	<b>(12,069)</b>
Lease payments	7	(161)	(436)	(1,056)
Net financing costs	8	(508)	(729)	(1,477)
Net proceeds from borrowings	9	585	6,520	6,358
Net proceeds from capital raising activities	10	10,706	4,689	9,806
<b>Net cash flow</b>		<b>1,258</b>	<b>(1,171)</b>	<b>1,563</b>

Notes:

Refer to notes under Table 4.8 for an explanation of each of the items included above in the Statutory Historical Cash Flows. In addition, specifically in relation to the Statutory Historical Cash Flows:

8. **Net financing costs** comprise interest costs and fees related to Top Shelf's existing borrowings.
9. **Net proceeds from borrowings** comprise net proceeds from Top Shelf's existing financing facilities and borrowings from related parties.
10. **Net proceeds from capital raising activities** comprise capital raised by Top Shelf in the historical period preceding the Completion of the Offer.

### 4.5.3 Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 4.10 sets out the pro forma adjustments that have been made to the statutory historical consolidated cash flows for FY18, FY19 and FY20 and the statutory forecast consolidated cash flows for FY21 at the net cash flow line.

**Table 4.10: Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows**

AUD in thousands	Notes	Historical			Forecast
		FY18	FY19	FY20	FY21
<b>Statutory net cash flow</b>		<b>1,258</b>	<b>(1,171)</b>	<b>1,563</b>	<b>8,947</b>
Listed company costs	1	(453)	(514)	(547)	(526)
Net finance costs	2	508	470	1,134	1,521
Net (proceeds) from/repayment of borrowings	3	(585)	(6,520)	(6,358)	7,546
Net proceeds from capital raising activities	4	(10,706)	(4,689)	(9,806)	(370)
Proceeds from the Offer	5	–	–	–	(35,000)
Offer costs	5	–	–	–	4,562
<b>Pro forma net cash flow</b>		<b>(9,978)</b>	<b>(12,424)</b>	<b>(14,015)</b>	<b>(13,320)</b>

Notes:

1. **Listed company costs** reflect the estimate of incremental costs associated with a listed entity. These costs include board costs, incremental executive management remuneration, ASX listing fees, and other public company costs including estimated share registry and investor relations costs.
2. **Net finance costs** reflect the anticipated borrowings upon Completion of the Offer (refer Section 4.4.2 and 4.4.3) and the exclusion of financing costs associated with existing borrowings. The statutory forecast consolidated cash flows include finance costs associated with existing borrowings for the period from 1 July 2020 to the completion date of the Offer and cessation fees associated with the existing borrowings.
3. **Net (proceeds) from/repayment of borrowings** reflect borrowings drawn upon by Top Shelf to fund capital expenditure and business growth in the statutory historical consolidated cash flows. Drawings from existing borrowings have been excluded to present the Pro Forma Historical and Pro Forma Forecast Cash Flows on a comparable basis with the intended capital structure of Top Shelf after Completion of the Offer. Repayment of existing borrowings (\$12.6 million) net of proceeds from the Financing Facility (\$5.0 million) upon Completion of the Offer, as summarised in Section 4.4.1, have also been reflected in the statutory forecast consolidated cash flows.
4. **Net proceeds from capital raising activities** reflect the net proceeds from capital raising activities conducted by Top Shelf prior to Completion of the Offer. Capital raising activity net proceeds have been excluded to present the Pro Forma Historical and Forecast Cash Flows on a comparable basis with the intended capital and borrowings structure of Top Shelf after Completion of the Offer.
5. **Proceeds from the Offer and Offer costs** reflect the gross proceeds from the Offer (\$35.0 million) and associated costs of the Offer (\$4.6 million). The net proceeds of the Offer have been recognised in the statutory forecast consolidated cash flows.

## 4.6 Assumptions underlying the Forecast Financial Information

The Forecast Financial Information is based on various general and specific assumptions, of which the key assumptions are set out below. These are a summary only and do not represent all factors that will affect forecast financial performance and cash flows. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The assumptions set out below should be read in conjunction with the sensitivity analysis in Section 4.8 and the risk factors in Section 5.

## 4. Financial Information

### 4.6.1 General assumptions

In preparing the Forecast Financial Information, the Directors have adopted the following general assumptions:

- there are no material changes in the competitive and operating environment in which Top Shelf operates; in particular that the impact of COVID-19 continues in a similar way to that experienced thus far in the first quarter of FY21 with the general expectation of a slow economic recovery across the course of FY21. Refer to Section 4.6.2 below for additional considerations on the impact of COVID-19 on the recent trading performance of the business and the specific assumptions noted below which consider the expected impact of the COVID-19 pandemic;
- no business acquisitions or asset divestments are assumed to occur;
- there are no significant deviations from current market expectations of economic and market conditions in which Top Shelf operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on Top Shelf's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Top Shelf;
- there are no changes in applicable AASB, IFRS, other mandatory professional reporting requirements or the Corporations Act that could have a material impact on Top Shelf's reported financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Top Shelf;
- there are no material changes in key employees, including key management personnel. It is also assumed that Top Shelf is able to recruit and retain staff which will be required to support the future growth of Top Shelf;
- there are no material changes in the process of producing, packaging and distributing products to Top Shelf's customers and consumers;
- there are no significant interruptions, industry disturbances or disruptions to the continuity of operations of Top Shelf or other material changes in the business;
- there are no material changes to the corporate and funding structure except as mentioned in this Prospectus;
- there are no material amendments to any material contract, agreement or arrangement relating to the business or its intellectual property;
- none of the risks listed in Section 5 has a material adverse impact on the operations of the business;
- the Offer proceeds are received in accordance with the timetable set out in the key dates section of this Prospectus.

### 4.6.2 Impact of COVID-19

While the full impact of COVID-19 is still unclear, as set out in the risk described in Section 5.1.1, the pandemic is likely to have both negative and positive impacts for the industry and Top Shelf.

Business trading performance has been relatively stable through the most recent period (March – September 2020) during which the COVID-19 pandemic has impacted Top Shelf's primary operating market of Australia. Top Shelf's contract packaging services were negatively impacted during the fourth quarter of FY20, however, the demand for the contract packaging services and throughput of the associated bottling and canning production lines in the first quarter of FY21 has been above pre-COVID levels.

In the short-term (remainder of 2020), the ongoing restrictions of social gatherings (such as get togethers, parties and sporting events) and on-premise events, are likely to have a negative impact, particularly in the state of Victoria. Conversely, with more people restricted from attending public premises and events, there has been an increase in at-home and locally made beverage consumption.



### 4.6.3 Specific assumptions

#### 4.6.3.1 Revenue

##### Overview

The period from FY18 to FY20 was a formative phase for the NED brand with Top Shelf investing in scalable vertically integrated manufacturing and supply chain. With production capability commissioned in FY20, Top Shelf has assumed an uplift in branded product and contract packaging services for third party revenue in FY21.

Top Shelf has assumed revenue growth in FY21 through:

- selling an increased volume of the NED whisky product suite;
- expanding the branded product range with the launch of Grainshaker vodka in October 2020 and a soft launch of an agave spirit assumed in the fourth quarter of FY21; and
- incremental volume of contract packaging services provided to third parties.

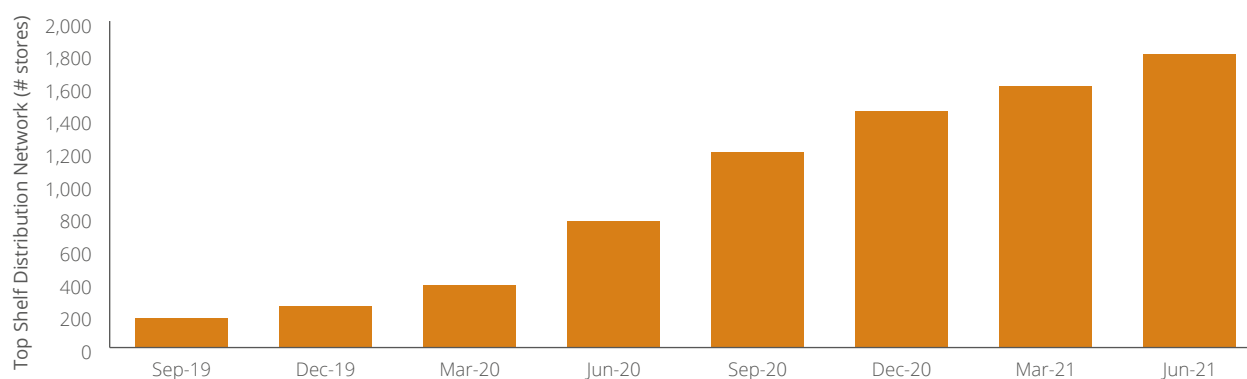
The key drivers of revenue growth in FY21 are:

- growth of branded products in on-premise and off-premise channels including a new national distribution arrangement with IBA; and
- the growth in contract packaging services, partially reflecting the annualised run rate of the canning and bottling facility commissioned in October 2019.

Pricing and sales volume assumptions have been developed by Top Shelf by product and channel, and, where applicable, reflect listed prices and sales volumes assumed with reference to recent performance trends.

Figure 4.1 sets out the FY20 actual and FY21 forecast quarterly store distribution network selling Top Shelf branded product under the national distribution arrangement with IBA or preceding arrangements.

**Figure 4.1: FY20 and FY21 quarterly off-premise store distribution network profile**



##### Branded product

##### NED whisky

Revenue growth achieved by Top Shelf in FY19 and FY20 reflected:

- increased volume of mature whisky available for sale;
- additional brand awareness; and the
- implementation of new distribution arrangements.

Revenue growth in FY21 reflects similar attributes with increased volume of mature whisky, growing brand awareness and a new national distribution arrangement with IBA banner retail groups.

## 4. Financial Information

Off-premise sales volume assumptions have been developed with reference to actual performance up to August 2020 adjusted for a national distribution agreement with IBA which commenced in September 2020. Under the IBA national distribution agreement, NED bottle and RTD product ranges are available in over 1,400 stores nationally from October 2020 (refer Section 3.5.2.2).

Pricing assumptions for FY21 reflect the IBA national distribution agreement inclusive of applicable discounts and rebates.

### *Grainshaker vodka*

The Grainshaker brand was launched in October 2020 with an on-premise and off-premise sales strategy (as described in Section 3.5.2). Bottle and RTD format sales from launch date for the eight-month period to 30 June 2021 are reflected in the forecast FY21 revenue.

Top Shelf's existing channel relationship with NED whisky has assisted Grainshaker vodka becoming a listed product line in the ALM distribution channel in October 2020. Discount and rebate assumptions are in line with NED whisky.

Brand awareness expenditure and dedicated sales and marketing personnel are assumed drivers of on-premise channel revenue in FY21.

### *Agave*

Top Shelf's initial commercial production of agave is assumed during FY21 with a soft brand launch of the agave spirit in the fourth quarter of FY21. Revenue from the agave spirit assumed in FY21 represents less than 2.0% of Top Shelf's FY21 revenue forecast.

### *Contract packaging*

Top Shelf has assumed FY21 revenue with consideration of actual customer demand for contract packaging services experienced to March 2020 and in the July to August 2020 period. Recent and repeat customer order patterns have also informed the forecast of FY21 contract packaging services revenue, in terms of pricing and product size mix.

#### 4.6.3.2 Cost of sales and gross profit

Cost of sales in FY21 have been forecast with reference to:

- excise duty in accordance with rates set by the Australian Taxation Office;
- raw ingredient and input supplies assumed with reference to recent and forecast input pricing; and
- production costs (direct labour, utilities, and depreciation and amortisation)

Branded product costs of production, on a unit basis, is assumed to decrease in FY21 in comparison to FY20 as the production throughput increases relative to fixed costs involved with Top Shelf's production process.

A slight decrease in gross profit margin from 23.5% in FY20 to 22.8% FY21 reflects assumed revenue mix as the proportion of contract packaging services for third parties declines as a percentage of total revenue relative to branded product revenue.

#### 4.6.3.3 Other income

Other income reflects research & development income in relation to eligible research and development activities and expenditure assumed to be undertaken by Top Shelf in FY21. Consistent with the accounting treatment in FY20, research & development income in relation to Top Shelf's property, plant and equipment, intangible assets and biological assets is anticipated to be deducted from the asset value and not recognised within Other Income. Investors should note that Top Shelf does not anticipate government research & development assistance in cash form beyond FY21 as Top Shelf's revenue is expected to exceed the threshold of \$20.0 million to be eligible to receive the assistance in cash form.

#### 4.6.3.4 Operating expenses

##### *Distribution*

Distribution and logistics expenses have been forecast with regard to established freight rates applied to forecast sales volumes. A reduction in direct sales to individual stores is anticipated to reduce distribution costs on a per unit basis in FY21 relative to FY20 with IBA being the primary off-premise channel. In FY21 this is anticipated to be a more cost-effective distribution model than experienced in prior periods.

##### *Labour*

Labour expenses assume the existing organisational structure at the beginning of FY21 with additional operational, and sales and marketing related roles assumed to commence over the course of FY21 to support Top Shelf's ongoing operational and brand development growth. In addition, incremental remuneration for existing roles reflect the expanding scale of the business.

Top Shelf has executed an employment contract in September 2020 for the role of a dedicated brand manager for the Grainshaker brand commencing in November 2020. The establishment of a dedicated sales team has been assumed following the Grainshaker brand launch and onboarding of the brand manager.

##### *Share based payments*

Share based payments assumes the implementation of Top Shelf's long term incentive plan in October 2020 as described in Section 6.3.4.1.

The share based payment expense in FY21 of \$3.0 million includes:

- a component relating to Top Shelf's long term incentive plan with associated vesting and service conditions (\$0.4 million). This component is assumed to be recurring in nature; and
- a cost of \$2.6 million relating to shares issued and options granted to directors and employees in October 2020 with no associated vesting or service conditions. This aspect of the FY21 share based payment is considered to be non-recurring in nature.

##### *Sales & marketing*

The sales & marketing expense forecast reflects a number of brand development, promotion and sponsorship activities in accordance with Top Shelf's brand awareness objectives for NED whisky, Grainshaker vodka and agave spirit.

##### *General & administration*

General & administration expenses have been forecast with reference to historical trends including of professional fees, insurance premiums, occupancy costs and utilities, adjusted for the assumed growth in the scale of business operations in FY21 relative to prior periods.

#### 4.6.3.5 Depreciation & amortisation

Top Shelf depreciate production specific plant and equipment using a units of production method. This method has been calculated by dividing the cost of the asset (less salvage value) by Top Shelf's best estimate of total units it expects to produce over the asset useful life, multiplied by the forecast units of production in FY21. Other plant and equipment and right-of-use assets are assumed to be depreciated on a straight-line basis.

Depreciation and amortisation associated with Top Shelf's production and storage assets, including right-of-use asset depreciation, is recognised as a cost of inventory or a direct cost of sale.

Top Shelf's plant & equipment and intangible asset depreciation and amortisation accounting policy is set out in Section 10 Significant Accounting Policies.

#### 4.6.3.6 Net finance costs

Net finance costs have been assumed with reference to the terms of the Financing Facility (refer Section 4.4.3) and the anticipated amounts drawn under the Financing Facility during FY21, interest associated with lease liabilities, and interest income with reference to assumed cash and cash equivalents during FY21.

## 4. Financial Information

### 4.6.3.7 Income tax

The income tax benefit in FY21 has been assumed with reference to the corporate tax rate of 27.5% applicable for Australian businesses with turnover of less than \$50.0 million.

### 4.6.3.8 Working capital

Continued investment in working capital has been assumed in FY21 consistent with FY20 primarily due to the continued investment in whisky inventory for maturation.

Whisky produced during FY21 is assumed to be held in storage for the typical whisky maturation period of approximately 24 months. Production volume assumptions in FY21 have been prepared with regard to production facility operating and storage asset capacity. Direct costs associated with whisky production inclusive of ingredient inputs, third party whisky supply, direct labour, utilities and depreciation of associated production and storage assets have been reflected within the forecast recognition of inventory in FY21.

Figure 4.2 sets out the FY20 actual and FY21 quarterly profile of whisky held in inventory.

**Figure 4.2: FY20 and FY21 quarterly profile of whisky held in inventory**

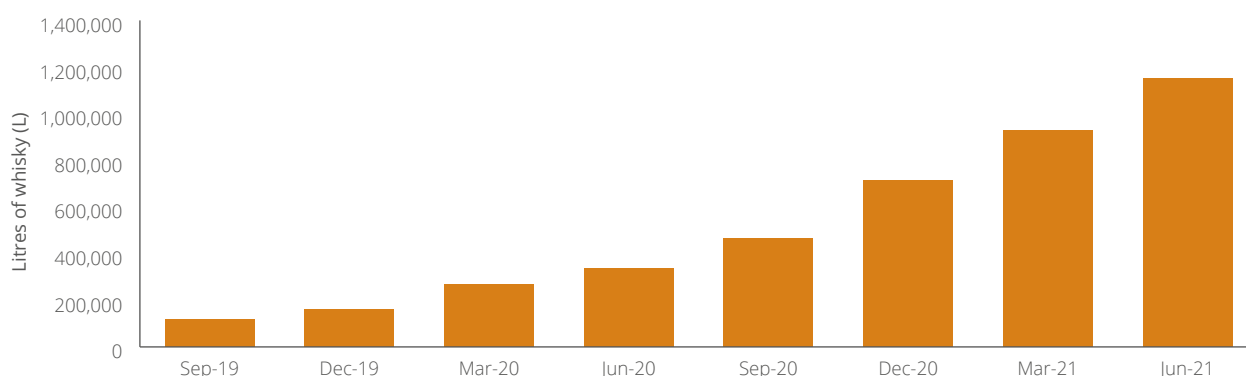
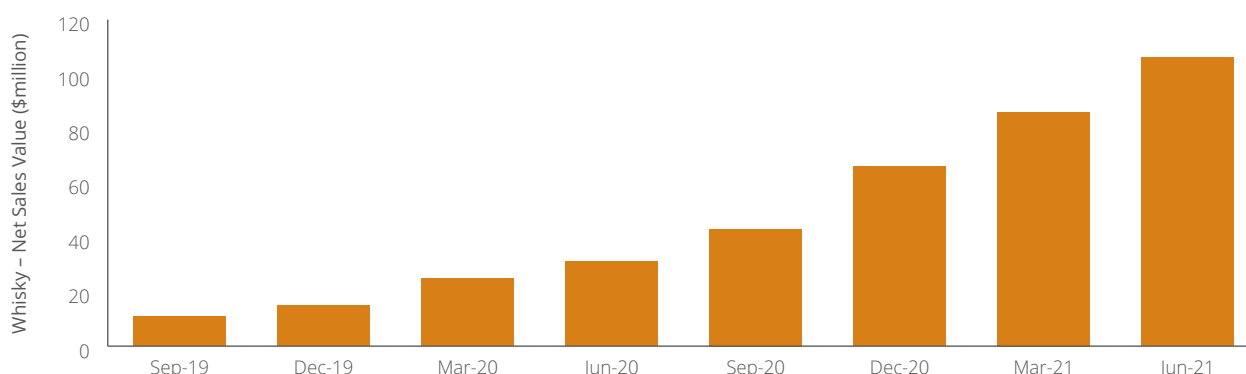


Figure 4.3 sets out the FY20 actual and FY21 forecast quarterly profile of the net sales value of whisky held in inventory.

**Figure 4.3: FY20 and FY21 quarterly profile of the net sales value of whisky held in inventory**



#### Notes

1. Refer Section 4.3.2 for explanatory note of calculation of net sales value of whisky held in inventory.

Working capital, aside from whisky inventory, has been forecast with regard to Top Shelf's current trading terms and payment cycles.

Debtors have been forecast by applying customer payment terms to forecast sales and anticipated channel and customer mix.

Creditors have been forecast by applying current payment terms of key suppliers, manufacturers and creditors to the appropriate forecast driver being purchases, production and sales.

Top Shelf's Financing Facility (as described in Section 4.4.3) is anticipated to provide available funds in relation to accounts receivables and inventory, in addition to the proceeds from the Offer to fund investment in working capital in FY21.

#### 4.6.3.9 Capital expenditure

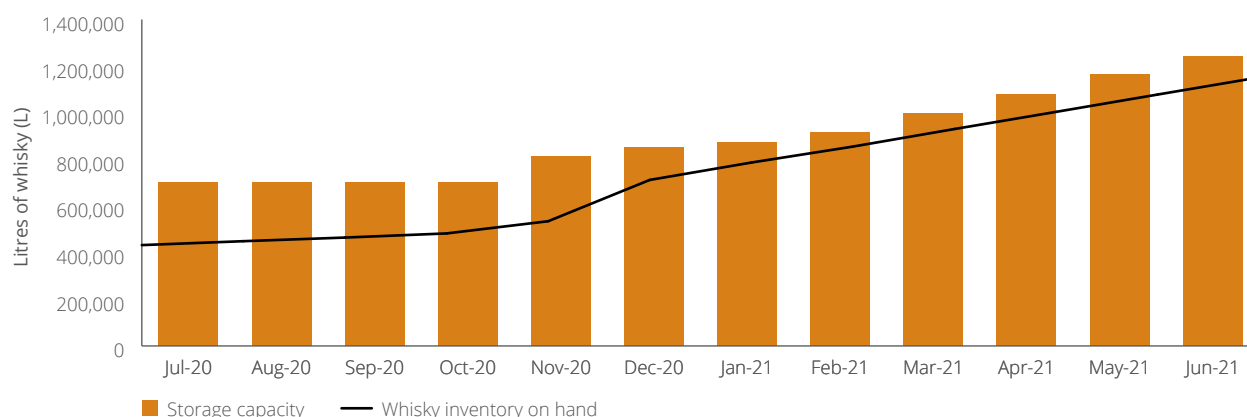
Top Shelf invested significantly in the FY18 – FY20 period resulting in the commissioning of production and inventory storage facilities in October 2019.

Further capital expenditure investment has been assumed in FY21 focused on:

- ongoing agave planting and agave farm improvements;
- incremental inventory storage capacity at the Somerton facility; and
- capacity expansion at the Campbellfield facility primarily with the delivery and installation of the second whisky lauter tun.

Figure 4.4 sets out Top Shelf's FY21 forecast monthly inventory storage capacity and whisky inventory on hand.

**Figure 4.4: FY21 monthly inventory storage capacity and whisky inventory on hand profile**



#### Notes

1. Litres of whisky held in inventory at approximately 65.0% ABV.

The agave farm is anticipated to require ongoing capital investment to support the planting of further agave plants for harvest in future years. The agave plants take an average of four to five years to grow before harvest and Top Shelf envisage continuing to invest in plants each year to maintain sufficient plant inventory.

In addition to the capital expenditure recognised as investing activities in the forecast consolidated cash flows, the final settlement payment for the Eden Lassie agave farm in December 2020 (\$2.2 million) has been recognised in forecast lease payments within financing activities in the forecast consolidated cash flows.

## 4.7 Management discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information

### 4.7.1 Overview

This Section 4.7 discusses details of the key metrics relating to Top Shelf's pro forma historical and forecast financial performance and cash flows between FY18 and FY21 and the main factors affecting Top Shelf's operational and financial performance over that period.

The discussion is intended to provide a summary only and does not detail all factors that have affected Top Shelf's historical operating and financial performance and cash flows, or everything that could have an impact on its operational and financial performance and cash flows in the future.



## 4. Financial Information

Unless otherwise stated, all metrics and financial information presented in this Section 4.7, and the related commentary, are on a pro forma basis.

The information in this Section 4.7 should also be read in conjunction with the risks in Section 5 and other information contained in this Prospectus.

In the five years since the launch of NED whisky on Australia Day in 2015, Top Shelf has been focused on building its entry into the Australian spirits market. This has involved:

- brand development;
- creation of products; and
- establishment of scalable distribution channels to market.

The NED brand is described in Section 3.3.3. To date, Top Shelf's market penetration and sales of NED whisky have been constrained by the availability of mature whisky.

FY18 to FY20 was a formative period for Top Shelf with production, canning and bottling and storage facilities (as described in Section 3.4.3.3) commissioned in October 2019 to enable growth including the milestone launch of the NED 700ml Bottle in December 2019.

Complimentary to the NED brand, Top Shelf anticipate establishing a multi-brand platform with the Grainshaker brand of vodka products. The Grainshaker brand launch was in October 2020 and is described in Section 3.3.4.

Top Shelf has also commenced the development of an agave spirit brand and products (as described in Section 3.4.5). In December 2019, Top Shelf entered into lease and purchase agreements for the agave farm, Eden Lassie with a lease term of 12 months. Transaction, lease and acquisition costs have been recognised as lease payments in Top Shelf's historical and forecast consolidated cash flows (FY20: \$0.5 million; FY21: \$2.3 million) inclusive of the final payment to acquire the agave farm (\$2.2 million) in December 2020, which will be funded from the proceeds of the Offer. Top Shelf envisage the establishment of a vertically integrated supply chain to commence production of agave spirit products in FY21.

### 4.7.1.1 Revenue

Top Shelf derives revenue from two sources, being:

- Production and marketing of branded product; and
- Provision of contract packaging services to third party beverage manufacturers.

#### *Branded product*

##### *NED*

The sale of NED whisky in RTD format has been Top Shelf's primary revenue stream since 2015 in addition to the introduction of the NED whisky bottle format in December 2019. Sales were initially achieved through independent retail stores, which transitioned in September 2020 to a national ranging agreement with IBA currently in over 1,400 stores within a number of their retail banner groups (as described in Section 3.5.2.2).

To date, NED sales volumes have been a balance between the availability of mature whisky inventory and growth of the distribution channels to market.

##### *Other branded products*

In FY21 revenue is assumed from the sales of other branded products, primarily Grainshaker in bottled vodka and vodka based RTD formats.

Sale volumes of other branded products have been forecast on the assumption of access to off-premise distribution networks already established with NED, e-commerce channels (as described in Section 3.5.2) and the velocity of sales through those channels.

In aggregate, FY21 Grainshaker vodka revenue represents a relatively small portion of Top Shelf's overall vodka distillation production capacity. The equivalent of one month of production capacity will be sufficient for the forecast revenue of Grainshaker vodka in FY21.

The sale of agave spirit product (described in Section 3.3.5) is assumed to commence in the fourth quarter of FY21 and represents less than 2.0% of forecast revenue in FY21.

### *Contract packaging services for third party customers*

Revenue generated from contract packaging for third parties is a secondary revenue stream utilising Top Shelf's canning, bottling and packaging facility (described in Section 3.4.3.3) when these assets are not in use for Top Shelf's own branded production.

Contract packaging services are performed for a range of large and small beverage manufacturers. Top Shelf offers third party customers state-of-the-art facilities, the ability to undertake small production runs, and manage different container types and packaging requirements. Top Shelf anticipates having available capacity of its canning, bottling and packaging facility during FY21 to accommodate demand increases from existing and new customers.

In FY21 Top Shelf has assumed revenue derived from contract packaging services for third parties to decline as a percentage of total revenue relative to FY20.

#### **4.7.1.2 Gross profit**

The primary drivers of gross profit are:

- sales volumes;
- product pricing; and
- cost of goods sold.

### *Branded products*

Pricing of branded products reflects the distribution channels and desirable market positioning of products on retail shelves. Top Shelf supplies NED whisky into the IBA national distribution network at a wholesale price that is marked up in the retail network. There are rebates and discounts to the list price as part of the selling process and these rebates and discounts vary by customer as a function of volume, and the channel to market (i.e. on-premise or off-premise or e-commerce).

Cost of goods sold reflect excise duties and input materials (recipe), production, distillation, and packaging costs. Cost of goods sold include the direct labour cost of operational employees, utilities and a depreciation cost associated with production equipment that is calculated on a per unit of production basis. As required, Top Shelf acquires whisky from a third-party Australian spirits distiller (as described in Section 3.4.7) as incremental supply to internal distillation production.

### *Contract packaging services for third party customers*

Top Shelf's contract packaging arrangements with customers are priced on an individual basis and can vary due to the type of container (bottles, cans and kegs), the volume of the product in container, and external packaging configuration. Pricing is developed with regard to the input and manufacturing costs per unit and a target margin for the contract packaging services. Pricing and input costs do also vary if the customer provides the liquid beverage for packaging or if is supplied or partly supplied by Top Shelf.

#### **4.7.1.3 Operating expenses**

Top Shelf's operating expenses have increased in the FY18 – FY20 period reflecting the increasing size and complexity of business operations, and Top Shelf's establishment of a scalable operating cost base.

#### **4.7.1.4 Working capital**

Working capital movements in FY20 and assumed in FY21 predominately reflect the investment by Top Shelf in establishing a commercial level of maturing whisky inventory and accounts receivable reflecting revenue growth.

#### **4.7.1.5 Capital expenditure**

In the FY18 – FY20 period, Top Shelf has made significant capital investments in:

- brewing and distillation equipment;
- canning, bottling and packaging facilities;
- maturation storage facilities; and
- acquisition of an agave farm, Eden Lassie (recognised as a lease payment within Top Shelf's FY20 consolidated cash flows) (as described in Section 3.4.5).

## 4. Financial Information

Forecast capital expenditure in FY21 includes:

- increasing storage assets (barrels and vats) to support branded product growth;
- final payment for the Eden Lassie agave farm (recognised as a forecast lease payment within Top Shelf's FY21 consolidated cash flows);
- continued investment in biological assets and the first phase of agave distillation infrastructure at Eden Lassie; and
- other capacity expansion and sustaining capital expenditure.

This production and storage capacity provides Top Shelf with scalable growth beyond FY21.

### 4.7.2 Management discussion and analysis of the pro forma historical results

**Table 4.11: Pro forma historical results – year on year movements**

AUD in thousands	Pro Forma Historical			FY19 vs. FY18	FY20 vs. FY19
	FY18	FY19	FY20	(%)	(%)
<b>Revenue</b>	<b>671</b>	<b>2,163</b>	<b>7,679</b>	<b>222%</b>	<b>255%</b>
Cost of sales	(790)	(1,565)	(5,876)	98%	275%
<b>Gross profit</b>	<b>(120)</b>	<b>598</b>	<b>1,803</b>	<b>-600%</b>	<b>202%</b>
Other income	3	299	432	9728%	45%
Operating expenses					
Distribution	(36)	(113)	(315)	214%	179%
Labour	(528)	(1,008)	(1,893)	91%	88%
Share based payments	(202)	(459)	–	128%	-100%
Sales & marketing	(148)	(231)	(2,004)	56%	769%
General & administration	(574)	(1,246)	(2,894)	117%	132%
Depreciation & amortisation	(205)	(283)	(358)	38%	26%
Operating expenses – total	(1,692)	(3,340)	(7,463)	97%	123%
Add back depreciation & amortisation in cost of sales and operating expenses	205	283	815	38%	188%
<b>EBITDA</b>	<b>(1,604)</b>	<b>(2,159)</b>	<b>(4,412)</b>	<b>35%</b>	<b>104%</b>
Depreciation & amortisation	(205)	(283)	(815)	38%	188%
<b>EBIT</b>	<b>(1,809)</b>	<b>(2,443)</b>	<b>(5,227)</b>	<b>35%</b>	<b>114%</b>
Net finance costs	(161)	(599)	(914)	272%	53%
<b>Loss before taxation</b>	<b>(1,970)</b>	<b>(3,042)</b>	<b>(6,142)</b>	<b>54%</b>	<b>102%</b>
Income tax benefit	326	165	1,705	-49%	936%
<b>Net loss after taxation</b>	<b>(1,644)</b>	<b>(2,877)</b>	<b>(4,436)</b>	<b>75%</b>	<b>54%</b>

**Table 4.12: Pro forma historical revenue – year on year movements**

AUD in thousands	FY18	FY19	FY20	FY19 vs. FY18 (%)	FY20 vs. FY19 (%)
Branded	671	1,760	4,072	162%	131%
Contract packaging	–	403	3,607	n/a	795%
<b>Revenue</b>	<b>671</b>	<b>2,163</b>	<b>7,679</b>	<b>222%</b>	<b>255%</b>

#### 4.7.2.1 Revenue

From FY18 to FY19, revenue increased by \$1.5 million from \$0.7 million to \$2.2 million, primarily due to:

- Access to increased amounts of mature NED whisky allowing the expansion of the distribution network and greater sales; and
- the commencement of contract packaging services for third parties (\$0.4 million) on the canning line prior to the final commissioning of the entire Campbellfield production facility in October 2019.

From FY19 to FY20, revenue increased by \$5.5 million from \$2.2 million to \$7.7 million, primarily due to:

- Access to increased amounts of mature NED whisky allowing the expansion of the distribution network via ALM from January 2020 and greater sales;
- the launch of the NED 700ml bottle of whisky in December 2019 and release for sale from January 2020;
- the sale of NED branded sanitiser in response to the COVID-19 pandemic (\$0.7 million); and
- contract packaging services to third parties following the final commissioning of the Campbellfield production facility in October 2019, despite a temporary disruption in FY20 Q4 caused by COVID-19.

#### 4.7.2.2 Gross profit

From FY18 to FY19, gross profit increased by \$0.7 million from \$(0.1) million to \$0.6 million reflecting increased access to mature NED whisky, improved economies of scale and the commencement of contract packaging services for third parties (in advance of the official facility commissioning in October 2019).

From FY19 to FY20, gross profit increased by \$1.2 million from \$0.6 million to \$1.8 million further reflecting increased access to mature NED whisky facilitating revenue growth and the introduction of contract packaging services leading to a blended gross profit margin performance of 23.5% (FY19: 27.6%).

#### 4.7.2.3 Operating expenses

From FY18 to FY19, operating expenses increased by \$1.6 million from \$1.7 million to \$3.3 million. The increase in operating expenses in FY19 predominately reflected:

- **Labour:** additional employees to design, construct and operate the Campbellfield production facility and sales and marketing personnel to support the growth of the business and further develop the brands resulting in an increase in labour costs of \$0.5 million.
- **General & administration:** an increase of \$0.7m from insurance costs related to the build of the Campbellfield production facility, and accounting and consulting fees associated with the establishment of management processes and systems.

## 4. Financial Information

From FY19 to FY20, operating expenses increased by \$4.1 million from \$3.3 million to \$7.5 million. The increase in operating expenses in FY20 predominately reflected:

- **Distribution:** freight and warehousing associated with the increase in sales.
- **Labour:** additional employees in relation to:
  - the commissioning, management and maintenance of the Campbellfield production facility including canning, bottling and distilling capabilities;
  - management of the new whisky maturation facility at Somerton, Victoria;
  - development and management of the agave farm at Eden Lassie in Queensland; and
  - corporate and administrative functions associated with supporting the business.
- **Sales & marketing:** costs associated with the establishment and activation of the NED whisky brand including Supercar sponsorship, associated promotional expenses, brand development expenditure for NED whisky, Grainshaker and Agave Spirit.
- **General & administration:** costs related to:
  - corporate costs including accounting and professional fees, insurance; and
  - operational costs associated with the operations of the Campbellfield and Somerton facilities, and the agave farm including utilities, repairs and maintenance, consumables, research and development and contract labour.

These operating expense increases were partially offset by a \$0.5 million reduction in share based payments.

### 4.7.3 Management discussion and analysis of the pro forma historical cash flows

**Table 4.13: Pro forma historical cash flows – year on year movements**

AUD in thousands	Pro Forma Historical			FY19 vs. FY18	FY20 vs. FY19
	FY18	FY19	FY20	(%)	(%)
<b>EBITDA</b>	<b>(1,604)</b>	<b>(2,159)</b>	<b>(4,412)</b>	<b>35%</b>	<b>104%</b>
Add back share based payment expense	202	459	–	128%	-100%
Working capital movement	67	(139)	(1,235)	-309%	786%
<b>Net operating cash flow</b>	<b>(1,336)</b>	<b>(1,839)</b>	<b>(5,647)</b>	<b>38%</b>	<b>207%</b>
Payments for property, plant & equipment	(8,283)	(10,216)	(5,043)	23%	-51%
Payments for intangible assets	(198)	(750)	(1,012)	278%	35%
Payments for biological assets	–	(44)	(908)	n/a	1976%
Receipt of research & development income	–	1,122	219	n/a	-80%
Payments for security deposits	–	–	(225)	n/a	n/a
<b>Net cash flow before financing activities</b>	<b>(9,817)</b>	<b>(11,728)</b>	<b>(12,616)</b>	<b>19%</b>	<b>8%</b>
Lease payments	(161)	(436)	(1,056)	170%	142%
Net financing costs	–	(260)	(343)	n/a	32%
<b>Net cash flow</b>	<b>(9,978)</b>	<b>(12,424)</b>	<b>(14,015)</b>	<b>25%</b>	<b>13%</b>



#### 4.7.3.1 FY19 pro forma historical net cash flows compared to FY18

FY19 net cash flows were \$(12.4) million representing an additional outflow of \$2.4 million above FY18.

In addition to EBITDA of \$(1.7) million (after adding back non-cash share based payment expense), the key drivers of FY19 net cash flows were:

- the purchase of Property, Plant and Equipment of \$10.2 million relating to the installation of equipment at the production facility at Campbellfield, Victoria including canning and bottling, packaging, brewing, distilling and fit out of the maturation storage facility at Somerton, Victoria.

In FY18, the purchase of property, plant & equipment of \$8.3 million related to deposits and progress payments for the aforementioned equipment;

- payments for Intangibles assets of \$0.8 million including research and development and brand development;
- receipt of research and development income of \$1.1m associated with eligible capital expenditure activities undertaken in FY18; and
- net financing costs of \$0.3 million representing the costs associated with borrowings to fund the purchase of Property, Plant and Equipment referenced above.

#### 4.7.3.2 FY20 pro forma historical net cash flows compared to FY19

FY20 net cash flows were \$(14.0 million) representing an additional outflow of \$1.6 million above FY19.

In addition to EBITDA of \$(4.4) million, the main drivers of FY20 net cash flows were:

- a \$1.1 million movement in investment in working capital largely related to an increase in accounts receivable balances (\$1.4 million) and whisky inventories (\$2.8 million) held as at 30 June 2020, partially offset by additional trade payable liabilities;
- the purchase of Property, Plant and Equipment of \$5.0 million, related to storage assets (including oak and barrel racking) for the Somerton storage facility, farm equipment, the final instalment payments and commissioning of, and an advanced payment for additional production capacity at the Campbellfield production facility;
- payments for Intangible assets of \$1.0 million reflecting capitalised research and development and brand development expenditure;
- payments for Biological assets of \$0.9 million representing the acquisition of mature agave plants that formed the source of seedlings to establish Top Shelf's agave plant inventory at the agave farm, Eden Lassie; and
- lease payments in FY20 of \$1.1 million included \$0.5 million in relation to transaction and lease costs of the agave farm, Eden Lassie, that commenced in December 2019.

## 4. Financial Information

### 4.7.4 Management discussion and analysis of the pro forma forecast results

**Table 4.14: Pro forma historical and forecast results – year on year movement**

AUD in thousands	Pro Forma Historical	Pro Forma Forecast	Change
	FY20	FY21	(%)
<b>Revenue</b>	<b>7,679</b>	<b>19,970</b>	<b>160%</b>
Cost of sales	(5,876)	(15,415)	162%
<b>Gross profit</b>	<b>1,803</b>	<b>4,555</b>	<b>153%</b>
Other income	432	276	-36%
Operating expenses			
Distribution	(315)	(326)	4%
Labour	(1,893)	(4,615)	144%
Share based payments	–	(2,968)	n/a
Sales & marketing	(2,004)	(3,201)	60%
General & administration	(2,894)	(4,073)	41%
Depreciation & amortisation	(358)	(413)	16%
Operating expenses – total	(7,463)	(15,596)	109%
Add back depreciation & amortisation in cost of sales and operating expenses	815	907	11%
<b>EBITDA</b>	<b>(4,412)</b>	<b>(9,859)</b>	<b>123%</b>
Depreciation & amortisation	(815)	(907)	11%
<b>EBIT</b>	<b>(5,227)</b>	<b>(10,765)</b>	<b>106%</b>
Net finance costs	(914)	(1,190)	30%
<b>Loss before taxation</b>	<b>(6,142)</b>	<b>(11,955)</b>	<b>95%</b>
Income tax benefit	1,705	2,472	45%
<b>Net loss after taxation</b>	<b>(4,436)</b>	<b>(9,484)</b>	<b>114%</b>

**Table 4.15: Pro forma historical revenue**

AUD in thousands	FY20	FY21	Change (%)
Branded	4,072	12,674	211%
Contract packaging	3,607	7,296	102%
<b>Revenue</b>	<b>7,679</b>	<b>19,970</b>	<b>160%</b>

#### 4.7.4.1 Revenue

FY21 pro forma forecast revenue is assumed to increase by \$12.3 million from \$7.7 million in FY20 to \$20.0 million in FY21.

Branded product revenue is forecast to increase by \$8.6 million to \$12.7 million in FY21. The key drivers of assumed revenue growth in FY21 are:

- sales volume growth of NED whisky in bottle and RTD formats attributable to the IBA national distribution arrangement commencing in September 2020 and the annualised run rate contribution of the NED 700ml bottle product that has only been available since January 2020; and
- the introduction of the Grainshaker vodka product range in October 2020. The IBA national distribution agreement is anticipated to provide an important off-premise channel for the Grainshaker vodka brand with the product accepted into the ALM distribution channel in September 2020.

Consistent with prior periods, forecast NED whisky sales are constrained by mature inventory availability with an assumption that Top Shelf will continue to sell through mature whisky inventory on hand (aside from premium reserve quantities).

Revenue from contract packaging services for third parties is forecast to increase by \$3.6 million to \$7.3 million in FY21 reflecting:

- the annualised run rate of customer demand for the canning and bottling lines commissioned in October 2019; and
- in the fourth quarter of FY20 contract packaging services was disrupted due to COVID-19, which has assumed to not reoccur in FY21.

#### 4.7.4.2 Gross profit

Gross profit is expected to increase from \$1.8 million in FY20 to \$4.6 million in FY21.

Gross profit margin is expected to decrease slightly from 23.5% in FY20 to 22.8% in FY21 as the revenue growth rate of lower margin branded products is approximately double that of the revenue growth rate of contract packaging services. The margin of branded product and contract packaging services is expected to be relatively consistent in FY21 in comparison to FY20.

#### 4.7.4.3 Other income

Other income has been forecast with respect to anticipated levels of eligible research and development expenditure. Research & development income, in total, is forecast to be equivalent to FY20 at \$1.0 million. The balance of research & development income associated with property, plant and equipment, intangibles assets and biological assets is anticipated to be deducted from the asset value and not recognised within Other Income.

#### 4.7.4.4 Operating expenses

Operating expenses are forecast to increase from \$7.5 million in FY20 to \$15.6 million in FY21. This increase reflects the assumed impact of the following three key drivers:

- a full year of production operations and an increase in production throughput at the Campbellfield production facility;
- increased sales volumes reflecting increased branded product and contract packaging service activities; and
- additional expenditure in brand awareness with the objective of increasing customer demand in FY21 and future periods.

The full year operation of the Campbellfield production facility in FY21 (commissioned in October 2019) is assumed to contribute to an increased in operational management labour and general & administration expenses.

Top Shelf has assumed a continued focus on brand awareness growth resulting in additional sales & marketing employees and sales & marketing expenditure.

The expanding scale of Top Shelf's operations and commencement as a publicly listed company is reflected in assumed increases to executive management labour costs and general & administration expenses in FY21. In addition, the introduction and associated accounting for share based payments for Top Shelf's long term incentive plan is reflected in FY21 pro forma forecast operating expenses.

## 4. Financial Information

### 4.7.4.5 Depreciation & amortisation

Depreciation & amortisation is assumed to increase in FY21 relative to FY20 due to the full year depreciation of production and storage assets that were commissioned in October 2019 and the assumed increase in utilisation of production and storage assets in FY21.

### 4.7.5 Management discussion and analysis of the pro forma forecast cash flows

**Table 4.16: Pro forma historical and forecast cash flows – year on year movement**

AUD in thousands	Pro Forma Historical	Pro Forma Forecast	Change
	FY20	FY21	(%)
<b>EBITDA</b>	<b>(4,412)</b>	<b>(9,859)</b>	<b>123%</b>
Add back share based payment expense	–	2,968	n/a
Working capital movement	(1,235)	(3,511)	184%
<b>Net operating cash flow</b>	<b>(5,647)</b>	<b>(10,402)</b>	<b>84%</b>
Payments for property, plant & equipment	(5,043)	(2,044)	-59%
Payments for intangible assets	(1,012)	(447)	-56%
Payments for biological assets	(908)	(309)	-66%
Receipt of research & development income	219	763	248%
Payments for security deposits	(225)	–	-100%
<b>Net cash flow before financing activities</b>	<b>(12,616)</b>	<b>(12,440)</b>	<b>-1%</b>
Lease payments	(1,056)	(2,946)	179%
Net financing costs	(343)	(580)	69%
Net proceeds from borrowings	–	2,646	n/a
<b>Net cash flow</b>	<b>(14,015)</b>	<b>(13,320)</b>	<b>-5%</b>

#### 4.7.5.1 FY21 pro forma forecast net cash flows compared to FY20

FY21 pro forma forecast net cash flows are assumed to be \$(13.3) million, representing a reduction in cash outflows of \$0.7 million from FY20.

In addition to EBITDA excluding non-cash items of \$(6.9) million, the key drivers of FY21 pro forma forecast net cash flows are:

- a \$3.5 million increase in investment in working capital, largely related to FY21 whisky production held in inventory for maturation by 30 June 2021 (increase of \$3.7 million) and increased FY21 pro forma forecast revenue reflected in incremental accounts receivable (\$0.7 million), partially offset by additional trade payable liabilities.

- \$2.0 million of assumed capital expenditure in FY21 in property, plant & equipment, intangible assets and biological assets reflects:
  - ongoing agave planting and agave farm improvements;
  - incremental inventory storage capacity at the Somerton storage facility; and
  - capacity expansion at the Campbellfield facility primarily with the delivery and installation of the second whisky lauter tun.
- Receipt of \$0.8m in research and development income associated with eligible capital expenditure activities undertaken in FY20.
- Lease payments are assumed in relation to Top Shelf's existing property leases (\$0.6 million), the agave farm for a six-month period prior to acquisition of the Eden Lassie agave farm in December 2020 (\$0.1 million) and the final payment for the agave farm in December 2020 (\$2.2 million).
- Pro forma net financing costs reflect assumed drawings in FY21 under the terms of the Financing Facility.
- Top Shelf anticipates additional drawings from the Financing Facility of \$2.6 million from Completion of the Offer to 30 June 2021.

## 4.8 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions, as described in Section 4.6. These estimates and assumptions are subject to business, economic and competitive risks and uncertainties beyond the control of Top Shelf and its Directors. These estimates are based on assumptions with respect to future business decisions and opportunities, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Pro Forma Forecast Financial Information, the non-exhaustive sensitivity analysis using some of the key assumptions is set out below. This table presents the sensitivity of the assumptions to the FY21 pro forma forecast revenue of \$20.0 million, pro forma forecast EBITDA of \$(9.9) million and pro forma forecast net loss after tax of \$9.5 million. The sensitivity analysis has been prepared to reflect the ten-month impact on FY21 pro forma forecast revenue, EBITDA and net loss after tax as the Pro Forma Forecast Financial Information has been prepared inclusive of July and August 2020 unaudited actual results. The changes in the key assumptions set out in the sensitivity analysis are not intended to be representative of the complete range of variations that may be experienced.

The estimated impact of changes in each assumption has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or may be additive. In addition, the sensitivities set out in Table 4.17 do not reflect any action that management may take to respond to the impact of changes to the assumptions.

The sensitivity analysis is to be used as a guide only. Actual variations may be beyond the modelled ranges.



## 4. Financial Information

**Table 4.17 Sensitivity analysis on the pro forma forecast revenue, EBITDA and net loss after tax for FY21**

AUD in thousands	Notes	Variance	FY21 pro forma forecast revenue	FY21 pro forma forecast EBITDA	FY21 pro forma forecast net loss after tax
<b>Assumption</b>					
Sale volume	1	+/-15%	2,264/(2,264)	572/(572)	374/(374)
Average selling price	2	+/-2%	355/(355)	355/(355)	257/(257)
Gross profit margin	3	+/-100 basis points	n/a	200/(200)	145/(145)
Labour	4	+/-5%	n/a	(238)/238	(173)/173
Sales & marketing expenses	5	+/-5%	n/a	(133)/133	(97)/97
General & administration expenses	6	+/-5%	n/a	(170)/170	(123)/123

Notes:

1. Estimated ten-month impact on FY21 pro forma forecast revenue, EBITDA and net loss after tax of an increase or decrease in sales volume by 15.0%, applied consistently to branded product and contract packaging sales.
2. Estimated ten-month impact on FY21 pro forma forecast revenue, EBITDA and net loss after tax of an increase or decrease in average selling price by 2.0%, applied consistently to branded product and contract packaging sales.
3. Estimated ten-month impact on FY21 pro forma forecast EBITDA, net loss after tax of an increase or decrease in gross profit margin of 1.0%, applied consistently to branded product and contract packaging sales.
4. Estimated ten-month impact on FY21 pro forma forecast EBITDA, net loss after tax of an increase or decrease in total Labour (reported within cost of sales and operating expenses) by 5.0%.
5. Estimated ten-month impact on FY21 pro forma forecast EBITDA, net loss after tax of an increase or decrease in Sales & marketing expenses by 5.0%.
6. Estimated ten-month impact on FY21 pro forma forecast EBITDA, net loss after tax of an increase or decrease in General & administration expenses by 5.0%.

### 4.9 Dividend policy

Top Shelf has no current intention to pay dividends on its Shares. Any future determination as to the payment of dividends will be at the discretion of the Board and will depend on the conditions then existing including Top Shelf's financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors the Board deems relevant.



# 5.

## Risks

## 5. Risks

An investment in Top Shelf is subject to risk factors specific to the Company and its business activities, as well as more general risks (including risks associated with investing in Shares). Any, or a combination, of these risks may have a material adverse effect on Top Shelf's business, financial condition, operating and financial performance, growth and/or the value of the Shares. Many of the circumstances giving rise to these risks, as well as the associated consequences, are partially or completely outside of Top Shelf, the Directors and management's control.

This Section 5 does not list every risk that may be associated with an investment in Top Shelf now or in the future. Additional risks that Top Shelf, the Directors and management are unaware of, or that are currently considered to be immaterial, also have the potential to have a material adverse effect on Top Shelf's business, financial condition, operating and financial performance, growth and/or the value of the Shares.

Before deciding whether to invest in Top Shelf by applying for Shares, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of these matters. You should consider whether the Shares are a suitable investment for you having regard to your own investment objectives, financial circumstances and particular needs (including financial and taxation issues). If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Top Shelf, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

### 5.1 Risks specific to an investment in Top Shelf

#### 5.1.1 The COVID-19 pandemic may adversely impact Top Shelf's operations and performance

There is continuing uncertainty as to the duration and further impact of the COVID-19 pandemic, including in relation to the timing and nature of government imposed restrictions and advice or guidance as to business operations and community movements, and the depth and length of the negative and positive impacts on domestic and global economic activity and certain segments of the domestic economy.

Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer attitudes, preferences and spending, it is not currently possible to assess the full impact of the COVID-19 pandemic on Top Shelf's business, operations and prospects. However, a prolonged period of social distancing (including restrictions on social gatherings, including in on-premises locations), quarantines, travel restrictions, work stoppages, health authority actions, lockdowns and other related measures within Australia and internationally, or an escalation of existing measures, may directly and indirectly impact a number of aspects of Top Shelf's business. In particular, these measures may have a material adverse impact on Top Shelf's ability to ensure supply chain continuity, which may in turn limit Top Shelf's ability to produce its products and provide its bottling and packaging services as expected.

#### 5.1.2 Top Shelf's brands and marketing and sales strategies may not be successful

Top Shelf's future success is partly dependent on the realisation of benefits from investment in its brands and sales and marketing strategies, initiatives and campaigns. Top Shelf expects that the costs of developing its brands and associated marketing strategies, initiatives and campaigns will continue to increase as Top Shelf's business and product range grow.

However, there is no guarantee that Top Shelf will realise any benefits from its investment in its brands or marketing strategies, initiatives and campaigns, for example, if such brands or strategies, initiatives or campaigns do not resonate with potential consumers or fail to capture market share. Failure to realise the benefits of investment in brands or marketing strategies, initiatives and campaigns may adversely impact Top Shelf's ability to attract new customers and as a result Top Shelf's operating and financial performance.

Top Shelf has assumed the successful launch of the Grainshaker vodka brand in October 2020 and execution of the commencement of its market penetration strategy in the Forecast Financial Information presented in Section 4 of this Prospectus. Failure of or slower than anticipated market acceptance of Top Shelf's Grainshaker vodka brand may adversely impact Top Shelf's operating and financial performance. Specific assumptions underlying the Forecast Financial Information are described in Section 4.6.4 and Forecast Financial Information sensitivity analysis is set out in Section 4.7.

### **5.1.3 Top Shelf may fail to comply with safety and quality standards and other legal and regulatory requirements**

Raw ingredients (such as grains required for the production of whisky and vodka) as well as final products are susceptible to deterioration, contamination, tampering or adulteration throughout all stages of the supply chain (including storage) or may otherwise be unsafe or unfit for sale or consumption. This may result from various factors, including human error, equipment failure and other external factors that may impact Top Shelf and its suppliers and service providers.

Increased sales volumes of Top Shelf's products, which may necessitate sourcing raw ingredients from new suppliers, multiple product and increased production runs and new product development, may also amplify the risk of non-compliance. If a significant safety or quality event occurs, this could result in Top Shelf's products becoming unsafe for consumption or being perceived to be unsafe for consumption.

Non-compliance with safety regulations and quality standards that apply to Top Shelf's products or the products Top Shelf bottles and packages for customers, and associated adverse publicity, could damage Top Shelf's brand and reputation. This may reduce demand for Top Shelf's products or services. There is also potential for other adverse consequences for Top Shelf, including regulatory penalties or other litigation, product recall and disposal costs, loss of inventory and delayed supply of Top Shelf's products or demand for Top Shelf's services. If the relevant safety or quality event is experienced by one of Top Shelf's third party suppliers, there may be costs associated with Top Shelf seeking to enforce any rights of recourse it has under the relevant contract or law. These factors could materially adversely affect the financial performance and future growth prospects of Top Shelf.

Top Shelf must comply with a range of laws and regulations. These laws and regulations include but are not limited to beverage standards and product content requirements, labelling and packaging (including mandatory dietary content disclosures), biosecurity, fair trading and consumer protection, employment, health and safety, property and the environment (including climate change and environmental protection), customs and tariffs and direct, and indirect taxation and excise duties. Compliance with these laws and regulations, and the ability to comply with any change to these laws and regulations, is material to the success of Top Shelf's business. Failure to comply may result in a monetary fine or other penalty (such as losing the ability to operate), additional costs, adverse publicity or a loss in consumer confidence in Top Shelf's products, which could have a material adverse effect on Top Shelf's operating and financial performance and reputation.

Furthermore, new laws or regulations may be introduced, there may be a change to the existing laws or regulations or revised interpretations of those laws or regulations. These, as well as other regulatory changes, could impact Top Shelf's ability to successfully implement its business strategy and result in increased costs, damage to Top Shelf's reputation and loss of consumer confidence in the Company's products. Accordingly, these factors could have a material impact on the operating and financial performance, position and future prospects of Top Shelf.

### **5.1.4 Changes in consumer trends and preferences may adversely impact sales of Top Shelf's products**

The Australia alcoholic beverages market that Top Shelf operates in is subject to changing consumer trends, demands, preferences and attitudes, including as a result of shifting and evolving beliefs, tastes and dietary habits of end consumers, views advanced by celebrities and social media influencers, socioeconomic development and other economic conditions. In addition, such trends and preferences may vary from time to time across subsets of Top Shelf's target end consumers.

Responding to new market trends may require significant investment, including in relation to additional investment in product and brand development, and marketing and sales. Failure by Top Shelf to anticipate, identify and react to changing consumer trends in a timely manner in respect of some or all of Top Shelf's target end consumers could lead to reduced demand and price reductions for Top Shelf's products. This could have a material adverse effect on Top Shelf's operating and financial performance.

Further, Top Shelf's current product and distribution mix are concentrated on whisky and vodka, which means that Top Shelf's revenue could be materially impacted by adverse changes in end consumer demand for those types of products.

## 5. Risks

### 5.1.5 Top Shelf may lose a key customer or customer support more generally

Top Shelf's distribution arrangements with ALM and IBA, further details of which are provided in Section 9.6, operate under ALM's and IBA's standard trading terms and conditions. These arrangements can be terminated by ALM or IBA on short notice and without penalty. Further, ALM and IBA are under no obligation to purchase a particular volume of Top Shelf's products or to continue purchasing Top Shelf's products at all. Therefore, to generate revenue from its relationship with ALM and IBA, Top Shelf relies on ALM and IBA continuing to submit purchase orders for Top Shelf's products.

Any of Top Shelf's key customer relationships (including ALM or IBA) may be lost or impaired, for example if customers experience any dissatisfaction with Top Shelf's products or services or end consumers fail to purchase Top Shelf's products. This may (either temporarily or for a prolonged period of time) decrease the volume of products that Top Shelf is able to sell, and services Top Shelf is able to provide, to its customers.

There can be no guarantee that customers will continue to purchase the same, similar or greater quantities of Top Shelf's products or services as they have historically. The loss of any of Top Shelf's key customers (including ALM or IBA), or a significant reduction in the volume of products purchased or services required by one or more key customers (including ALM or IBA), may adversely impact Top Shelf's operating or financial performance.

### 5.1.6 Top Shelf may suffer reputation or brand damage

The reputation of Top Shelf's products and brands with its customers and consumers generally is an important asset of the business. The reputation of those products and brands and the value associated with them could be impacted by a number of factors including:

- quality issues (perceived or actual) with Top Shelf's products or services;
- a failure or delay in supplying products or services;
- the actions of Top Shelf's third party suppliers and Top Shelf's customers (including their employment practices or treatment of staff);
- a regulatory breach;
- adverse media coverage (including social media) or publicity about Top Shelf's products, services or practices (whether valid or not) or changes in the public perception of the alcoholic beverage product industry; or
- workplace incidents or disputes with Top Shelf's workforce.

A material adverse impact to the reputation of Top Shelf's products, services or brands could adversely affect customer relationships, resulting in loss of business, loss of contract and loss of market share, and have a material adverse effect on Top Shelf's financial and operating performance.

### 5.1.7 Top Shelf operates in a highly competitive industry and it may fail to implement its growth strategy or manage growth

Top Shelf is a relatively small participant in the highly competitive Australian alcoholic beverage market and is subject to existing and growing competition from domestic and international producers of alcoholic beverages with greater market share and well established operations. Top Shelf may not successfully compete with its competitors, including by being able to maintain competitive prices for its products and services.

Top Shelf may not succeed in implementing its growth strategies described in this Prospectus for a variety of reasons, including being unable to compete with existing domestic and international producers, an inability to access debt or equity capital, overall economic or market conditions or a failure to adapt its strategy over time where required. Such failure, and the costs incurred in seeking to implement its strategy, may materially and adversely affect the financial performance and future prospects of Top Shelf.

There is also a risk that Top Shelf is unable to scale supply of its product in a timely manner to grow its business or to meet increases in demand. For example, the production of Top Shelf's whisky products may be constrained by the time required for its whisky to mature. If Top Shelf is not in a position to grow its business or meet increases in demand on a timely basis, customers may instead choose to purchase alternative products and this may adversely impact Top Shelf's financial performance and ability to grow its business successfully.



### **5.1.8 Top Shelf may fail to attract and retain key management personnel**

The successful operation of Top Shelf is dependent on its ability to attract and retain experienced, skilled and high performing key management and operating personnel. Failure to attract and retain certain personnel may adversely affect Top Shelf's ability to execute its business strategy and may result in a material increase in the cost of obtaining appropriately experienced personnel. This could also have a materially adverse impact on Top Shelf's operating and financial performance and growth prospects.

### **5.1.9 Top Shelf may experience issues with its manufacturing or storage facilities**

The equipment and management systems necessary for the operation of Top Shelf's manufacturing facilities may break down, perform poorly, fail, or be impacted by a fire or major weather event (such as a storm), resulting in manufacturing delays, increased manufacturing costs or an inability to meet customer demand.

Furthermore, Top Shelf has a significant amount of product inventory stored in a number of facilities in particular over 800,000 litres of whisky that must be laid down for a statutory minimum of two years. Top Shelf's storage facilities may be impacted by a fire or major weather event (such as a storm) or subject to malicious attack, which may result in the loss, damage, contamination or destruction of all or some of its stored product inventory.

Any significant or sustained interruption to Top Shelf's manufacturing processes, or the loss, damage, contamination or destruction of stored product inventory, may materially adversely impact Top Shelf's production capacity and, as a result, Top Shelf's sales.

Top Shelf leases the properties at which its Victorian manufacturing and storage facilities are located. While Top Shelf has entered into long term leases where possible, there is a risk that any of these leases may be terminated or not renewed. In these circumstances, Top Shelf would need to establish its operations (or part of its operations) at another property, which would cause Top Shelf to incur significant financial cost and result in material interruption to its business.

### **5.1.10 Top may be an interruption in Top Shelf's supply chain**

Top Shelf's relationships with its existing suppliers are not always formally documented nor exclusive, and some of these third party providers also have relationships with Top Shelf's competitors. Therefore, Top Shelf may not be able to retain its relationship with its third party suppliers. Further, the quantity and quality of Top Shelf's products may be adversely affected by weather or climatic conditions (including climate change). Any adverse change to weather or climatic conditions may impact the availability and sustainability of raw ingredients used by Top Shelf, including the grains required to produce whisky and vodka, as well as the agave plants planted at the Eden Lassie agave farm, components of which Top Shelf expects to use as ingredients in its agave products. If a weather or climatic condition disrupts Top Shelf's supply chain, Top Shelf may not be able to source suitable raw ingredients and this may have a material adverse impact on Top Shelf's operations and financial performance.

The incidence of a biosecurity event such as a disease outbreak in the agave crop at the Eden Lassie agave farm or in crops of key producers of the grains required to produce whisky or vodka could lead to a reduction in available raw ingredient supply to Top Shelf, which may in turn materially and adversely impact Top Shelf's operations, financial performance and reputation. Other biosecurity risks may arise from inadvertent actions such as use of contaminated ingredients or from deliberate actions. The incidence of such events could erode consumer confidence in Top Shelf's products. This may adversely impact demand for Top Shelf's products and have an adverse effect the Company's financial performance.

### **5.1.11 Top Shelf may fail to manage its inventory effectively**

Top Shelf may fail to accurately forecast or manage its inventory levels. This may result in Top Shelf incurring additional costs and losing revenue. Accordingly, if Top Shelf produces excess product that it cannot sell in a timely manner, the excess product may need to be sold at a discount and Top Shelf may be required to bear the costs of the surplus product and recognise inventory write-down costs. If Top Shelf is unable to manage its inventory effectively, this may have a material adverse impact on the financial position of Top Shelf and its operating results.

## 5. Risks

### 5.1.12 Top Shelf may experience significant increases in manufacturing costs

Top Shelf may be adversely impacted by increases in manufacturing costs, including material increases in key ingredient prices such as grains required to produce whisky and vodka. The availability and price of key ingredients used in Top Shelf's products are influenced by global demand and supply factors outside of Top Shelf's control, and may be impacted by, amongst other things, climatic or environmental conditions or biosecurity events and Top Shelf's relationship with its key suppliers. Weather and climatic conditions such as droughts or other unforeseen weather patterns could impact supply and cause significant fluctuations in the availability of key ingredients, which may have flow-on price implications for Top Shelf. If there is a significant increase in the cost of the inputs of Top Shelf's products, this may have a material adverse effect on Top Shelf's operating and financial performance.

### 5.1.13 Top Shelf's confidential information may be lost or compromised

Top Shelf's finished products and the recipes and processes to produce them are confidential to Top Shelf and are of significant value to Top Shelf. This value is dependent, in part, on operational procedures to maintain confidentiality and legal protections provided by a combination of trade secrets and confidentiality obligations on employees and third parties. Top Shelf also has other intellectual property protections in relation to its products including trade marks and copyright.

There is a risk that the value of Top Shelf's confidential information may be compromised for a number of reasons, including:

- Top Shelf employees may breach operational procedures or employees or third parties may breach confidentiality obligations or infringe or misappropriate Top Shelf's confidential information;
- Top Shelf's third party suppliers may gain insights into Top Shelf's confidential information, including its confidential product specifications, and use these findings to develop alternative products that compete with Top Shelf; and
- third parties may develop non-infringing competitive products.

Any such breaches or competitive products could erode Top Shelf's market share. This could have a materially adverse impact on Top Shelf's operating and financial performance and growth prospects.

### 5.1.14 Top Shelf may be involved in litigation or other disputes

Top Shelf may, from time to time, be subject to litigation and other claims or disputes in the ordinary course of its business or otherwise, including product liability claims, intellectual property disputes, contractual disputes, indemnity claims, occupational health and safety claims and employment disputes. The outcome of litigation cannot be predicted with certainty and adverse litigation outcomes could adversely affect Top Shelf's business, financial condition and reputation.

### 5.1.15 Top Shelf may be unable to access funding

As at the Prospectus Date, Top Shelf is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations. Although the Directors consider that the Company will, on Completion of the Offer and with the Financing Facility, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding.

Top Shelf may seek to raise additional debt finance or new equity in the future to continue to grow its business. If there is a deterioration in the level of liquidity in the debt and equity markets, or the terms on which debt or equity is available, this may prevent Top Shelf from being able to raise the relevant debt or equity. Consequently, if Top Shelf is unable to access funding when required, this may have a material adverse effect on Top Shelf's financial position and hinder its ability to execute its growth strategy effectively. Refer to Section 4.2.3 on the going concern basis of accounting.

### 5.1.16 Top Shelf may fail to meet forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various assumptions, some of which are described in Section 4.6. Various factors, both known and unknown, may impact upon the performance of Top Shelf and cause its actual performance to vary significantly from expected results. There can be no guarantee that Top Shelf will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.

## 5.2 General risks to an investment in Top Shelf

### 5.2.1 Price of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if Top Shelf's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Top Shelf operates; and
- general operational and business risks.

### 5.2.2 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of Top Shelf and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for Top Shelf's goods and services and its ability to conduct business. Top Shelf has only a limited ability to insure against some of these risks.

### 5.2.3 Trading in Shares might not be liquid

There is currently no public market through which the Shares of Top Shelf may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

Following Completion, the Escrowed Shareholders will hold approximately 44% of the Shares, which may also impact on liquidity. Share and Options held by the Escrowed Shareholders are subject to the mandatory and voluntary escrow arrangements described in Section 7.8. The absence of any sale of Shares by the Escrowed Shareholders during the relevant period of mandatory or voluntary escrow may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, Shares held by the Escrowed Shareholders will be able to be freely traded on the ASX. A significant sale of Shares by an Escrowed Shareholder, or the perception that such sale has occurred or might occur, could adversely affect the price of Shares. General economic and financial market conditions

General economic conditions (both domestically and internationally) may adversely impact the price of Shares. Top Shelf is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below the Offer Price.

## **5. Risks**

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### **5.2.4 Risk of shareholder dilution**

In the future, Top Shelf may elect to issue Shares to engage in fundraisings and also to fund, or raise proceeds, for acquisitions Top Shelf may decide to make. While Top Shelf will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

### **5.2.5 Changes in taxation and accounting rules and their interpretation**

From time to time, relevant authorities in the jurisdictions in which Top Shelf operates may choose to change their taxation policies, which may impact the level of tax that the Company is required to pay. Changes to accounting standards and their interpretation may impact the Company's reported financial performance.

### **5.2.6 No guarantee of future dividends**

Top Shelf currently has no plans to pay a dividend in the short to medium term. Beyond this, there is no guarantee that the Company will generate sufficient cash flow from its operations in the future to pay dividends. The Company's dividend policy is set out in Section 4.8.



# 6.

**Key people,  
Interests and  
Benefits**








## 6. Key people, Interests and Benefits

### 6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

**Table 6.1: Top Shelf Board of Directors biographies**


Director	Experience
 <p><b>Adem Karafili</b> <i>Executive Chairman</i></p>	<p>Adem spent seven years establishing Swisse Wellness before it's sale to Biostime International for nearly \$1.7 billion USD in 2015. Adem held senior positions of CFO, COO and MD at Swisse Wellness. Currently Adem chairs his investment vehicle ANGLKorp and also chairs the 2030 Greater Victoria Commonwealth Games Taskforce, the National Institute of Integrated Medicine (NIIM) and Hydralite International.</p> <p>Adem was appointed Non-Executive Director and Chairman to Top Shelf in April 2018 and Executive Director to Top Shelf in September 2020.</p>
 <p><b>Drew Fairchild</b> <i>Co-Founder, Managing Director</i></p>	<p>Drew commenced his career as a graduate with Shell Australia, becoming the Finance Director for Shell in Australia and a Director of Shell Australia Limited and its subsidiary companies. After leaving Shell, Drew became CFO of Fulton Hogan and then Cleanaway (whilst trading as Transpacific). Drew then pursued a number of entrepreneurial endeavours, including by co-founding Top Shelf International. Drew was also a founding Non-Executive Director of the now ASX listed technology company Damstra. Drew is also Chair of Damstra's Audit Committee and member of Damstra's Remuneration Committee.</p> <p>Drew was a Co-Founder of Top Shelf and appointed as Managing Director to Top Shelf in June 2017.</p>
 <p><b>Ken Poutakidis</b> <i>Non-Executive Director</i></p>	<p>Ken is a corporate adviser and corporate finance executive with 20 years of finance experience. Ken is Managing Director and Founder of Avenue Advisory, a boutique advisory firm providing corporate finance and capital markets advice to emerging companies. Previously, Ken worked as a management consultant and a corporate finance executive with leading equity firms across Australia and Asia. He has previously served as Chairman of the Board and Non-Executive Director of ASX-listed Mach7 Technologies Ltd and is currently Non-Executive Director of ASX-listed Contango Asset Management Ltd.</p> <p>Ken was appointed as a Non-Executive Director to Top Shelf in May 2020.</p>

Director	Experience
 <p><b>Peter Cudlipp</b> <i>Non-Executive Director</i></p>	<p>Peter has over 40 years of experience advising a wide range of large multinational and national companies around customer driven growth. Peter commenced his career in advertising and held executive roles in Australia's leading advertising agencies. In 2004 Peter joined the boutique management consulting firm Growth Solutions Group and in his role as Partner/Director, helped build the firm to be one of Australia's leading consultancies for customer and brand led growth specialising in the alcoholic beverages, retail, financial services and higher education sectors.</p> <p>Peter was appointed as a Non-Executive Director to Top Shelf in May 2018.</p>
 <p><b>Michael East</b> <i>Non-Executive Director</i></p>	<p>Michael has 35 years of international and Australian experience within the wine and spirits industry. He has held senior executive positions as CEO Accolade Wines, Managing Director Fine Wine Partners and Southcorp Wines Australasia, and Sales Director Pernod Ricard. He is committed to delivering sustainable commercial partnerships, shareholder value and people and culture development. Michael has also served on the Boards of the Winemakers Federation of Australia and the Liquor Merchants Association Australia.</p> <p>Michael was appointed as a Non-Executive Director to Top Shelf in September 2020.</p>




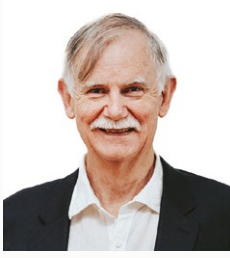
## 6.2 Management Team


Profiles of the key members of Top Shelf's management team are set out below.

**Table 6.2: Top Shelf management team biographies**

Executive	Experience
<p><b>Adem Karafili</b> <i>Executive Chairman</i></p>	See Section 6.1.
<p><b>Drew Fairchild</b> <i>Co-Founder, Managing Director</i></p>	See Section 6.1.
 <p><b>Jason Redfern</b> <i>Co-Founder, Head of Sales and Brand – NED</i></p>	<p>Jason has more than 20 years experience as the head of one of Australia's most successful premium licensed swimwear companies, producing ranges for K-Mart, Target, Myer, David Jones, Coles and Woolworths. Jason also has extensive licensing experience with global brands such as Disney, Warner Bros, Mattel and DreamWorks. Prior to co-founding Top Shelf, Jason developed and distributed new products to the Australian and International liquor industry.</p>

## 6. Key people, Interests and Benefits

Executive	Experience
 <p><b>Ryan Buckle</b> <i>Head of Sales and Brand – Grainshaker</i></p>	<p>Ryan is a marketing executive with over 15 years experience in blue chip FMCG organisations across multiple categories and geographies, working with some of the world's biggest consumer goods brands. Ryan's skill set is centred in the application of evidence based marketing laws, to build maximum physical and mental availability that fuels brand growth.</p>
 <p><b>Sebastian Reaburn</b> <i>Master Distiller</i></p>	<p>Sebastian is a leading figure in the Australian liquor industry. He is an experienced brand builder, innovator and marketer. Sebastian is the recipient of the Champions Spirits Trophies, including seven trophies for best in class across four brands, as well as numerous medals. He has owned some of the most awarded bars in Australia including 1806 and Heartbreaker, and played a key role in building high growth independent brands including 42 Below, 666 Vodka and Anther Gin.</p>
 <p><b>Andrew Rosengren</b> <i>Strategic Advisor</i></p>	<p>Andrew has over 30 years' experience managing complex businesses processes, resources, relationships and commercial negotiations on a global scale, including China. Andrew's key strengths include high level strategic thinking, and commercial and financial acumen. Andrew also has 15 years' practical executive experience leading and supporting companies to execute growth strategies across diverse industries and sectors globally.</p>
 <p><b>Kim Graves</b> <i>Co-Secretary/ Legal Counsel</i></p>	<p>Kim has over 30 years' experience in national and international project acquisition, finance, regulatory approvals, development and operations. He has been a member of wholly-owned and joint venture management teams for listed and non-listed companies, including Shell Australia. Kim is a founding shareholder of Top Shelf.</p>

Executive	Experience
	<p>Matthew has more than 20 years' experience developing and executing strategic brand and communications strategies for high profile, public organisations in Australia and overseas. A qualified journalist, Matt's broad spectrum of expertise covers brand development, marketing, communications, digital and social media, PR and stakeholder relations.</p>
<p><b>Matt Slade</b>  <i>Head of Marketing  &amp; Brands</i></p>	

## 6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Top Shelf;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Top Shelf.

### 6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Ord Minnett Limited and Wilsons Corporate Finance Limited have acted as Joint Lead Managers to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 9.5;
- Herbert Smith Freehills has acted as Australian legal adviser (other than in relation to taxation and stamp duty) to Top Shelf in relation to the Offer. The Company has paid, or agreed to pay, approximately \$440,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to Herbert Smith Freehills in accordance with its normal time-based charges;
- Ernst & Young Strategy and Transactions Limited has acted as Investigating Accountant to Top Shelf in relation to the Financial Information and has prepared the Independent Limited Assurance Report included in Section 8. The Company has paid, or agreed to pay, approximately \$40,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with its normal time-based charges;

## 6. Key people, Interests and Benefits

- Ernst & Young has provided financial and tax due diligence and has acted as taxation adviser to Top Shelf in relation to the Offer. The Company has paid, or agreed to pay, approximately \$455,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges; and
- Euromonitor International Ltd has provided certain information relating to the industry in which the Company operates for inclusion in this Prospectus. The Company has paid, or agreed to pay, approximately \$20,000 (excluding disbursements and GST) for these services up to the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

### 6.3.2 Directors' interests and remuneration

#### 6.3.2.1 Executive Chairman

See Section 6.3.3.1.

#### 6.3.2.2 Managing Director

See Section 6.3.3.2.

#### 6.3.2.3 Non-executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Non-executive director as remuneration for his or her services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in the general meeting. This amount has been fixed by the Company at \$350,000 per annum.

Annual Non-executive directors' fees, inclusive of superannuation, currently agreed to be paid by the Company are \$60,000 including any committee membership fees to each Non-Executive Director. The remuneration of a Director (who is not the CEO or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Such amounts will not form part of the aggregate remuneration amount approved by Shareholders.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a non-executive director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration amount approved by Shareholders.

#### 6.3.2.4 Deeds of access, insurance and indemnity for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director, which confirms the Director's right of access to certain books and records of the Company and its related bodies corporate.

Pursuant to the Constitution, the Company must indemnify all Directors and executive officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by those individuals as officers of the Company or a related body corporate. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director on a full indemnity basis and to the full extent permitted by law against all losses and liabilities (including legal costs) incurred by the Director as an officer of the Company or of a related body corporate.

Pursuant to the Constitution, the Company may purchase and maintain insurance for each Director and executive officer of the Company to the extent permitted by law against any liability incurred by those individuals in their capacity as officers of the Company or a related body corporate. Under the deeds of indemnity, insurance and access, the Company must maintain such insurance for each Director until a period of seven years after the Director ceases to hold office. This seven-year period can be extended where certain proceedings or investigations commence during the seven-year period but are not resolved until later.



### 6.3.2.5 Directors' interests in Shares and Options

The Directors are not required under the Constitution to hold any Shares.

The Directors are entitled to apply for Shares under the Offer. Final Directors' shareholdings will be notified to ASX on Listing. The Directors' (and their associated entities') interests in Shares and Options in Top Shelf on Completion of the Offer (subject to any further acquisitions under the Offer) are set out below.

**Table 6.3: Summary of Directors' interests in Shares and Options**

Director <sup>1</sup>	Shares on the Prospectus Date	% held at the Prospectus Date	Shares held on Completion of the Offer	% held on Completion of the Offer	Options held at Completion of the Offer
Drew Fairchild	2,100,336	6%	2,552,824	5%	1,377,852
Adem Karafili	2,499,084	8%	2,951,572	6%	1,318,632
Peter Cudlipp	639,576	2%	639,576	1%	267,977
Ken Poutakidis	532,980	2%	532,980	1%	267,977
Michael East	197,400	1%	197,400	0%	110,057
<b>Total</b>	<b>5,969,376</b>	<b>18%</b>	<b>6,874,352</b>	<b>14%</b>	<b>3,342,495</b>

1. Includes 0.45 million Shares being issued under this Prospectus at the Offer Price to entities controlled by each of Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).

### 6.3.2.6 Shares subscribed for by Directors in relation to loans

In support of Top Shelf and its business, entities controlled by Adem Karafili and Drew Fairchild have provided loans to Top Shelf. As part of Top Shelf's optimisation of its financing facilities (see further Section 4.4.3), these loans will be partially repaid by Top Shelf using proceeds of the Offer (as described in Section 7.1.3) with the balance reinvested in Top Shelf via a subscription for Shares at the Offer Price by the entities controlled by Adem and Drew. These Shares will be issued pursuant to this Prospectus at Completion of the Offer and will be subject to the voluntary escrow arrangements described in Section 7.8.

**Table 6.4: Summary of Shares subscribed for by Directors in relation to loans**

Director	Loan balance at the Prospectus Date	Cash repayment amount	Loan balance subscription for Shares at the Offer Price	Number of Shares to be issued at Completion of the Offer
Adem Karafili	\$2,762,420	\$1,762,420	\$1,000,000	452,488
Drew Fairchild	\$2,500,000	\$1,500,000	\$1,000,000	452,488

### 6.3.2.7 Termination benefits approval

The Shareholders of the Company have approved the provision of benefits on cessation of employment to current and future members of key management personnel of the Company and its related bodies corporate, including the benefits summarised in Section 6.3.3.

## 6. Key people, Interests and Benefits

### 6.3.3 Executive remuneration

#### 6.3.3.1 Executive Chairman

Term	Description
<b>Employer</b>	Adem Karafili is employed by Top Shelf International Pty Ltd (a wholly owned subsidiary of the Company) as the Marketing Director. In this role, Adem has responsibility for informing and recommending to the Board and Managing Director areas pertaining to the marketing of Top Shelf's brands, including go to market strategy, marketing and communications strategies, as well as overall branding and image.
<b>Total fixed remuneration</b>	Adem is entitled to receive annual total fixed remuneration of \$289,000 (inclusive of base salary and superannuation).
<b>Termination</b>	Adem's employment may be terminated by either party upon giving 6 months' notice. Top Shelf may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, Top Shelf may terminate Adem's employment contract immediately without payment in lieu of notice.
<b>Restraint</b>	Following termination of Adem's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.
<b>Long term incentive</b>	Adem is eligible to participate in the Long Term Incentive Plan and has been granted 1,318,632 Premium Priced Options pursuant to the Long Term Incentive Plan described in Section 6.3.4.

#### 6.3.3.2 Managing Director

Term	Description
<b>Employer</b>	Drew is employed by Top Shelf International Pty Ltd (a wholly owned subsidiary of the Company) as the Managing Director. In this role, Drew is responsible for the performance of the Company, as dictated by the Board's overall strategy and to direct and control the operations of the Company, including to give strategic guidance to the Board on the attainment of the objectives of the Company.
<b>Total fixed remuneration</b>	Drew is entitled to receive annual total fixed remuneration of \$361,000 (inclusive of base salary and superannuation).
<b>Termination</b>	Drew's employment may be terminated by either party upon giving 6 months' notice. Top Shelf may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, Top Shelf may terminate Drew's employment contract immediately without payment in lieu of notice.
<b>Restraint</b>	Following termination of Drew's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.
<b>Long term incentive</b>	Drew is eligible to participate in the Long Term Incentive Plan and has been granted 1,318,632 Premium Priced Options pursuant to the Long Term Incentive Plan described in Section 6.3.4.

### 6.3.4 Directors, officers and employees incentive arrangements

The Company has established a Long Term Incentive Plan to assist in the motivation and retention of key employees, Directors and contractors through grants of equity interests in the Company. The Long Term Incentive Plan is designed to:

- promote the long-term success of the Company;
- provide a strategic, value-based reward for key individuals who make a key contribution to the success of the Company;
- allow key individuals to share in the success of the Company; and
- and align the interests of such individuals with the interests of Shareholders by providing an opportunity for them to receive an equity interest in the Company.

#### 6.3.4.1 Long Term Incentive Plan

The rules of the Long Term Incentive Plan (**Long Term Incentive Plan Rules**) and the offer documents provide the framework under which grants of Awards under the Long Term Incentive Plan will operate. Table 6.5 below provides a summary of how the Long Term Incentive Plan broadly operates, including future offers which may be made following Completion of the Offer. As at the Prospectus Date, Top Shelf does not intend to grant any Awards (other than those Awards already made as described in this Section 6.3.4.1) for the remainder of FY21.

**Table 6.5: Summary of key terms of the Long Term Incentive Plan**

Topic	Summary
<b>General terms and conditions of the Long Term Incentive Plan.</b>	
<b>Approval</b>	The Long Term Incentive Plan was approved by the Board in October 2020.
<b>Type of securities</b>	<p>The Long Term Incentive Plan provides flexibility for the Company to grant the following instruments (each an <b>Award</b>) to eligible participants:</p> <ul style="list-style-type: none"> <li>• Shares;</li> <li>• performance rights, being a right to acquire one Share subject to the satisfaction of any vesting conditions outlined in a participant's invitation (<b>Performance Rights</b>);</li> <li>• options, being an option to acquire one Share subject to the satisfaction of any vesting conditions outlined in the participant's invitation and payment of the exercise price (<b>Options</b>); and</li> <li>• cash awards.</li> </ul>
<b>Grants and eligibility</b>	<ul style="list-style-type: none"> <li>• Awards may be granted under the Long Term Incentive Plan to eligible participants from time to time in the absolute discretion of the Board.</li> <li>• Eligible participants will include employees, Directors (including both executive and Non-Executive Directors), contractors and consultants of the Group, as selected by the Board from time to time.</li> </ul>
<b>Acquisition price</b>	<ul style="list-style-type: none"> <li>• The acquisition price of a Share will be set out in a participant's invitation letter.</li> <li>• No payment is required for the grant of all other Awards, unless the Board determines otherwise.</li> </ul>
<b>Terms and conditions</b>	The Board has the absolute discretion to determine the terms and conditions (including in relation to vesting, exercise, forfeiture, disposal and pricing) on which it will make offers under the Long Term Incentive Plan and it may set different terms and conditions for different participants in the Long Term Incentive Plan.

## 6. Key people, Interests and Benefits

Topic	Summary
<b>Voting and dividend rights</b>	<ul style="list-style-type: none"> <li>• Shares will carry the same voting and dividend rights as other ordinary shares in the capital of the Company.</li> <li>• All other Awards will not carry any voting or dividend rights.</li> </ul>
<b>Issue, allocation or acquisition of Shares</b>	Subject to applicable laws, Shares to be delivered to participants upon the exercise of vested Awards or upon the grant of Shares may be issued by the Company, acquired on or off market and transferred, and/or allocated within an employee share trust.
<b>Quotation</b>	<ul style="list-style-type: none"> <li>• The Company will apply in accordance with the ASX Listing Rules for official quotation of any Shares issued to a participant under the Long Term Incentive Plan.</li> <li>• All other Awards will not be quoted on ASX.</li> </ul>
<b>Change of control event</b>	<p>Where the Board expects that a Change of Control Event will occur, the Board may:</p> <ul style="list-style-type: none"> <li>• waive any vesting condition or exercise condition; and/or</li> <li>• determine that any vesting condition or exercise condition is satisfied.</li> </ul> <p>Prior to a change of control event, the Company may provide notice of the change of control event to each participant specifying whether it has exercised its discretion to waive or deem satisfied any vesting conditions and/or exercise conditions and provide a time period for a participant to exercise such Awards contingent on the change of control event. If a change of control event proceeds and a participant has not given notice to the Company of the contingent exercise of their Awards, all unexercised Awards will be forfeited.</p> <p>If a change of control event does not subsequently occur, any Awards which became vested or were exercised in connection with the change of control event will revert to their original status prior to the notice of change of control event.</p>
<b>Employee share trust</b>	The Company may operate an employee share trust in conjunction with the Long Term Incentive Plan.
<b>No transfer and no hedging</b>	<p>Subject to applicable laws and the ASX Listing Rules, without the prior approval of the Board:</p> <ul style="list-style-type: none"> <li>• Awards may not be sold, assigned, transferred, encumbered or otherwise dealt with other than in accordance with the Long Term Incentive Plan Rules and the relevant invitation letter; and</li> <li>• participants may not enter into any arrangement which hedges or otherwise affects the participant's economic exposure to the Awards granted to them under the Long Term Incentive Plan.</li> </ul>
<b>Cessation of employment/office</b>	Under the Long Term Incentive Plan Rules, the Board retains full discretion to determine the manner in which a participant's awards will be dealt with in the event that the participant ceases employment or engagement with the Group, including to determine that the participant forfeits all Awards (whether vested or unvested). It is intended that individual offer documents will provide specific information on how an Award will be treated where a participant ceases employment or engagement with the Group.

Topic	Summary
<b>Other terms</b>	The Long Term Incentive Plan contains customary and usual terms having regard to Australian law for dealing with the administration, variation and termination of the Long Term Incentive Plan (including in relation to the treatment of Awards in the event of a reorganisation of the Company's share capital structure, a rights issue or bonus share issue).
<b>Terms and conditions specific to Awards</b>	
<b>Vesting and exercise of Awards</b>	<ul style="list-style-type: none"> <li>Awards will vest if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant (collectively, the <b>Vesting Conditions</b>) are satisfied or waived by the Company.</li> <li>Vested Awards will be exercisable if and to the extent that any applicable exercise conditions specified at the time of the grant (collectively, the <b>Exercise Conditions</b>) are satisfied or waived and the Company.</li> </ul>
<b>Exercise price</b>	As a condition of the grant of Shares upon exercise of Awards, the Board may require a participant to pay an exercise price to exercise those Awards.
<b>Lapse/forfeiture of Awards</b>	<p>The Long Term Incentive Plan contains provisions concerning the treatment of Awards and any Shares issued, allocated or transferred following the exercise of Awards, including without limitation in the event that:</p> <ul style="list-style-type: none"> <li>the Vesting Conditions or Exercise Conditions attaching to the relevant Awards are not satisfied or the Board forms the view they cannot be satisfied;</li> <li>the Awards are not exercised before the applicable expiry date;</li> <li>a participant ceases employment or engagement with the Company or a Group Member;</li> <li>a participant wilfully or materially commits a material breach of their obligations to any Group Member;</li> <li>a participant fails to exercise their powers and discharge their duties with reasonable care and diligence and such failure results in, or materially contributes to, any Group Member: <ul style="list-style-type: none"> <li>incurring a significant unexpected financial loss, impairment charge, cost or provision;</li> <li>incurring significant reputational harm or damage to its prudential standing;</li> <li>making a material financial misstatement or omission of financial statement; or</li> <li>breaching a significant legal or regulatory requirement;</li> </ul> </li> <li>a participant becomes insolvent;</li> <li>a participant disposes of its Awards in breach of the Constitution or the Long Term Incentive Plan Rules;</li> <li>a participant fails to adhere to the prudent risk management policy set by the Company in any material respect;</li> <li>a participant is subject to disciplinary action or sanction by any Group Member for misconduct or failure to perform his or her duties; or</li> <li>a participant fails to perform their duties to any Group Member and fails to rectify that failure.</li> </ul>



## 6. Key people, Interests and Benefits

### 6.3.4.2 Initial Option Offer

The Company has granted Options to certain key individuals under the terms of the Long Term Incentive Plan (**Initial Option Offer**) prior to the Offer.

The purpose of the Initial Option Offer is to reward key individuals for their contribution to the Company and performance achieved prior to the Completion of the Offer and further align their interests with the interests of Shareholders.

There is currently a total of 6.4 million Options on issue pursuant to the Initial Option Offer, each of which confers upon the relevant holder the right to be issued or transferred one Share upon the exercise of such an Option.

The key terms of the Initial Option Offer are set out in Table 6.6.

**Table 6.6: Summary of key terms of the Initial Option Offer**

Topic	Summary
<b>Eligibility</b>	Eligible participants include employees, Directors (including both executive and Non-Executive Directors), contractors and consultants of the Group, as selected by the Board.
<b>Award vehicle</b>	<p>Participants in the Initial Option Offer were made offers under the Long Term Incentive Plan of:</p> <ul style="list-style-type: none"> <li>• start-up options, being Options which cannot be disposed of by the participant until the third anniversary from the date of grant or until the employee ceases employment with the Group (if earlier) (<b>Start-up Options</b>); and/or</li> <li>• premium priced options, being Options with an exercise price set at a 70% premium to the value of the underlying Shares at the time of the grant (<b>Premium Priced Options</b>).</li> </ul>
<b>Quantum</b>	<p>The total aggregate quantum of Options granted to participants under the Initial Option Offer was:</p> <ul style="list-style-type: none"> <li>• 2,202,984 Start-up Options; and</li> <li>• 4,192,776 Premium Priced Options.</li> </ul>
<b>Vesting conditions</b>	<p>Some, but not all, of the Options granted to participants under the Initial Option Offer are subject to Vesting Conditions.</p> <p>The Options granted to participants under the Initial Option Offer which are subject to Vesting Conditions are subject to:</p> <ul style="list-style-type: none"> <li>• a service-based vesting condition, such that one-third of the Options granted will vest on each anniversary from the date of the grant for three years; and</li> <li>• a performance-based vesting condition which is linked to the share price growth achieved by the Company based on the 5 day VWAP immediately prior to the 3rd anniversary of the grant of the Options so that: <ul style="list-style-type: none"> <li>– no Options will vest if the 5 day VWAP is less than \$2.026;</li> <li>– 100% of all Options will vest if the 5 day VWAP is \$6.332 or higher; and</li> <li>– a proportionate number of Options will vest if the 5 day VWAP is between \$2.026 and \$6.332; and</li> </ul> </li> <li>• two further performance-based vesting conditions linked to the performance of both the Company (based on it achieving the forecast revenue for FY21 set out in Section 4.3) and the participant's individual performance in FY21.</li> </ul>
<b>Expiry Date</b>	Options issued under the Initial Option Offer will expire on the 6th anniversary of the date of grant of the Awards, unless exercised first ( <b>Expiry Date</b> ).

Topic	Summary
<b>Exercise conditions</b>	The Options granted under the Initial Option Offer are not subject to any Exercise Conditions.  Vested Options may be exercised at any time before the Expiry Date.
<b>Exercise price</b>	The exercise price for each Option granted to participants under the Initial Option Offer is: <ul style="list-style-type: none"> <li>• \$2.026 for each Start-up Option; and</li> <li>• \$3.445 for each Premium Priced Option.</li> </ul>

Options issued under the Initial Option Offer are subject to the escrow arrangements described in Section 7.8.

***Premium Priced Options: Expected dilution***

As at the Prospectus Date, the number of Shares that may be issued should all holders of Premium Priced Options exercise these Options is 4,192,776 Shares (**Resultant PPO Shares**). Under the Long Term Incentive Plan Rules, holders of vested Premium Priced Options may request the Company to cancel their vested Premium Priced Options in exchange for being issued a number of Shares equal to the net value of the vested Premium Priced Options (the net value of a Premium Priced Option is the market value of a Share on that day minus the exercise price) (**PPO Cancellation**). If the holders of vested Premium Priced Options requests the PPO Cancellation the Company, in its sole discretion, may approve or reject that.

The Premium Priced Options have an exercise price of \$3.445, which is significantly higher than the Offer Price. As a result, the Company considers it likely that some or all participants would request the PPO Cancellation rather than pay the full exercise price on their options.

The net number of Shares to be issued if all holders of Premium Priced Options requested the PPO Cancellation, and the Company allowed it, would depend on the Share price on that day of PPO Cancellation (Note where the Share price on the day of PPO Cancellation is below the exercise price, it is assumed none of the Premium Priced Options will be exercised and therefore no resultant PPO Shares will be issued):

Resultant PPO Shares assuming full vesting and exercise	4,192,776		
Assumed aggregate exercise price for PPO Shares at the exercise price (\$3.445 per Premium Priced Option)	\$14,444,113.32		
Share price on the day of PPO Cancellation	\$2.21	\$3.50	\$5.00
Net value if all holders requested a PPO Cancellation	0	\$230,602.68	6,519,766.68
Net Resultant PPO Shares to be issued	0	65,886	1,303,953

The actual number of Resultant PPO Shares that would be issued depends on how many of them vest, how many participants request a PPO Cancellation, the Share price on the day of PPO Cancellation and whether the Company chooses to allow a PPO Cancellation at that time.

The effect of any PPO Cancellation will be a reduction in the total number of Resultant PPO Shares issued.

## 6. Key people, Interests and Benefits

### 6.3.4.3 Non-Executive Director Offer

The Company has granted Options to the Non-Executive Directors under the Long Term Incentive Plan (**Non-Executive Director Options**) as payment for some or all of their expected pre-tax future Board fees (**Non-Executive Director Offer**). The number of Options held by Non-Executive Directors at the Prospectus Date is set out in the table in Section 6.3.2.5 above. The key terms of the Non-Executive Director Offer are set out in Table 6.7.

**Table 6.7: Summary of key terms of the Non-Executive Director Offer**

Topic	Summary
<b>Eligibility</b>	All Non-Executive Directors may participate in the Non-Executive Director Offer.
<b>Quantum and Award vehicle</b>	<ul style="list-style-type: none"> <li>Non-Executive Directors can advise the Company that they are willing to sacrifice a portion (or all) of their future Board fees (excluding committee fees, if applicable) on a pre-tax basis for a set period of time (referred to as the <b>Foregone Board Fees</b>) to be paid in the form of the issue of NED Options. All elections for the sacrifice of Board fees for a particular financial year must be made by the end of each financial year. Each of the three Non-Executive Directors have notified the Company of their intention to participate in the Non-Executive Director Offer and sacrifice the first twelve months of their Board fees in return for being issued with NED Options.</li> <li>The number of NED Options to be granted to each Non-Executive Director will be determined by dividing the value of the Foregone Board Fees by the market value a volume weighted share price as at the date of grant (or, for the initial offer under the Non-Executive Director Offer, the Offer Price).</li> </ul>
<b>Vesting</b>	<p>NED Options acquired under the Non-Executive Director Offer will vest equally on a monthly basis, in line with payment of usual payment of Board fees.</p> <p>NED Options may be exercised following vesting and from the next available 'trading window' (<b>Vesting Date</b>).</p> <p>Vesting of the NED Options is conditional upon the Non-Executive Director remaining a Director of the Company at the date of Vesting Date.</p>
<b>Exercise price</b>	Nil exercise price.
<b>Shares acquired on conversion of options</b>	<ul style="list-style-type: none"> <li>Resultant Shares issued on the exercise of the Non-Executive Director Options will be restricted from disposal until the earlier of: <ul style="list-style-type: none"> <li>the expiry of the nominated disposal restriction period set out in the relevant participation letter; and</li> <li>the date the Non-Executive Director ceases office as a Director, (<b>NED Restriction Period</b>).</li> </ul> </li> <li>If the NED Restriction Period ends at a time that the Non-Executive Director is prohibited from trading in Shares under the Company's share trading policy or applicable laws, the NED Restriction Period will continue until this prohibition ceases to apply.</li> </ul>
<b>Ceasing to be a Non-Executive Director</b>	<p><b>Non-Executive Director Options:</b></p> <ul style="list-style-type: none"> <li>Where a Non-Executive Director ceases to hold office as a Director, all vested Non-Executive Director Options will be retained by that Non-Executive Director. The unvested Non-Executive Director Options will lapse.</li> </ul> <p><b>Shares:</b></p> <ul style="list-style-type: none"> <li>Where a Non-Executive Director ceases to hold office as a Director and holds Shares (which were acquired on the exercise of Non-Executive Director Options), the Non-Executive Director will retain all of those Shares.</li> </ul>

#### 6.3.4.4 Other offers under incentive arrangements

In addition to the Initial Option Offer and the Non-Executive Director Offer, the Priority Offer and the Employee Gift Offer will also be made by the Company as part of the Offer. Please refer to Section 7 for details.

#### 6.3.5 Related party arrangements

Danielle Fairchild, the spouse of the Managing Director of the Company, Drew Fairchild, provides occupational health and safety and quality assurance professional services to Top Shelf. Danielle receives remuneration of \$119,000 per annum for these services. Danielle was previously the head of occupational health and safety with Dow Chemicals, Powercor and held a similar role with Shell Australia. The Directors consider that this arrangement is on arm's length terms.

### 6.4 Corporate Governance

This Section 6.4 explains how the Board will exercise the management of Top Shelf's business. The Board is responsible for the overall corporate governance of Top Shelf.

The Board monitors the operational and financial position and performance of Top Shelf and oversees its business strategy including approving its strategic goals. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial returns and sustaining the growth and success of Top Shelf. With these objectives in mind, the Board is concerned to ensure that Top Shelf is properly managed to protect and enhance Shareholder interests and that Top Shelf, its Directors, officers and employees, operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing Top Shelf including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for Top Shelf's business and which are designed to promote the responsible management and conduct of Top Shelf.

The main policies and practices adopted by Top Shelf, which will take effect from Listing, are summarised below. Copies of Top Shelf's key policies and the charters for the Board and each of its committees will be available from Listing at [www.topshelfgroup.com.au](http://www.topshelfgroup.com.au).

#### 6.4.1 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

Top Shelf is seeking a listing on the ASX. The ASX Corporate Governance Council has developed the 4th edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**), which set out recommended corporate governance practices for entities listed on the ASX in order to assist listed entities achieve good corporate governance outcomes and meet investor expectations.

The ASX Recommendations are not prescriptive, but guidelines. Under the ASX Listing Rules, Top Shelf must prepare a corporate governance statement disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Top Shelf does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Top Shelf intends to comply with all of the ASX Recommendations from the time of its Listing, with the exception of ASX Recommendation 2.5.

ASX Recommendation 2.5 provides that the chair of the board of a listed entity should be an independent director. Mr Adem Karafili has since 1 September 2020 held, and continues to hold, an executive role with Top Shelf and will hold approximately 6% of the Shares on Completion of the Offer. Accordingly, Mr Karafili is not considered to be an independent Director. However, the Board considers that Mr Karafili is the most appropriate person to lead the Board as Chairman because of his extensive knowledge of the Company and its markets, growth prospects and management structure.

## 6. Key people, Interests and Benefits

### 6.4.2 Board of Directors

The Board of Directors is composed of five Directors, comprising an Executive Chairman, an Executive Director and three Non-Executive Directors (three of whom are independent).

Biographies of the Board members are provided in Section 6.1.

Each Director has confirmed to Top Shelf that he anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director (as the case may be).

The Board considers a Director to be independent where he or she is free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Top Shelf and its Shareholders generally. The Board reviews the independence of each Non-Executive Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Ken Poutakidis, Peter Cudlipp and Michael East are free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Top Shelf and its Shareholders generally and is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Adem Karafili and Drew Fairchild are not considered by the Board to be an independent Directors given their executive roles of Executive Chairman and Managing Director (respectively) as well as their shareholdings in the Company (see Section 6.3.2.5).

Accordingly, as at Listing, the Board will consist of a majority of independent Directors consistent with Recommendation 2.4 of the ASX Recommendations. The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

### 6.4.3 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

- protect and optimise Top Shelf's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- represent and serve the interests of Shareholders by overseeing and appraising Top Shelf's strategies, policies and performance. This includes overseeing the financial and human resources that Top Shelf has in place to meet its objectives and reviewing management performance;
- set, review and monitor compliance with Top Shelf's values and governance framework (including establishing and observing high ethical standards and demonstrating leadership); and
- ensure Shareholders are kept informed of Top Shelf's performance and major developments affecting its state of affairs.

While the Board retains ultimate responsibility for the strategy and performance of Top Shelf, the day-to-day operation of Top Shelf is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.



The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman or the Board as a whole.

#### **6.4.4 Board Committees**

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Other committees may be established by the Board as and when required.

##### **6.4.4.1 Audit and Risk Committee**

Under its charter, the Audit and Risk Committee must consist of a minimum of three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not the Chairman of the Board. The Audit and Risk Committee will comprise:

- Ken Poutakidis (Chairman);
- Peter Cudlipp; and
- Michael East.

The responsibilities of the Audit and Risk Committee include:

- overseeing the preparation of financial and other periodic reports;
- overseeing the Company's relationship with the external auditor and the external audit function generally;
- managing processes for identifying and managing financial and non-financial risk;
- overseeing the Company's internal controls and systems; and
- managing processes for monitoring compliance with laws and regulations.

All Non-Executive Directors have a standing invitation to attend Audit and Risk Committee meetings. Other non-committee members, including members of management and the external auditor, may attend meetings of the Audit and Risk Committee at the invitation of the Audit and Risk Committee chair.

##### **6.4.4.2 Remuneration and Nomination Committee**

Under its charter, the Remuneration and Nomination Committee must consist of a minimum of three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent Director as chair. The Remuneration and Nomination Committee will comprise:

- Ken Poutakidis (Chairman);
- Peter Cudlipp; and
- Michael East.

The responsibilities of the Remuneration and Nomination Committee include:

- reviewing and recommending to the Board remuneration arrangements for Non-Executive Directors;
- reviewing and recommending to the Board employment and remuneration arrangements for the CEO and the CEO's direct reports;
- approving major changes and developments in Top Shelf's policies and procedures related to remuneration, recruitment, retention, termination and performance assessment for senior management;
- reviewing Top Shelf's remuneration framework to confirm it encourages a culture aligned with the Company's values, supports the Company's strategic objectives and is aligned with the Company's risk management framework;
- overseeing the operation of Top Shelf's equity incentive plans and recommending to the Board whether offers are to be made under any of Top Shelf's equity incentive plans in respect of a financial year;
- reviewing and recommending to the Board the terms of any incentive offers made to the CEO and other members of the senior executive team;

## 6. Key people, Interests and Benefits

- reviewing and recommending to the Board the size and composition of the Board, including reviewing Board succession plans and the succession of the Chairman;
- reviewing the succession plans for the CEO and other senior executives; and
- in accordance with the Diversity Policy, recommending to the Board measurable objectives for achieving gender diversity in the composition of the Board, senior executives and workforce generally, and assessing the Company's progress in achieving those objectives.

All Non-Executive Directors have a standing invitation to attend Remuneration and Nomination Committee meetings. Other non-committee members, including members of management, may attend all or part of a meeting of the Remuneration and Nomination Committee at the invitation of the Remuneration and Nomination Committee chair.

### 6.4.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available from Listing on Top Shelf's website at [www.topshelfgroup.com.au](http://www.topshelfgroup.com.au).

#### 6.4.5.1 Disclosure Policy

Once listed, Top Shelf will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Top Shelf is aware of its obligation to keep the market fully informed of any information that Top Shelf becomes aware of concerning Top Shelf, which may have a material effect on the price or value of Top Shelf's securities, subject to certain exceptions. Top Shelf has adopted a Disclosure Policy to take effect from Listing to reinforce its commitment to its continuous disclosure obligations and to describe the processes in place that enable Top Shelf to provide Shareholders with the timely disclosure of material price sensitive information.

#### 6.4.5.2 Communications Strategy

Top Shelf aims to keep Shareholders informed of major developments affecting the state of affairs of Top Shelf. Top Shelf recognises that potential investors and other interested stakeholders may wish to obtain information about Top Shelf from time to time. To achieve this, Top Shelf will communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including Top Shelf's website, at its annual general meeting and through Top Shelf's annual report and ASX announcements.

#### 6.4.5.3 Securities Dealing Policy

Top Shelf has adopted a Securities Dealing Policy that is intended to explain the types of conduct in relation to dealings in securities that are prohibited by law and establish procedures for the buying and selling of securities to ensure the public confidence is maintained in the reputation of Top Shelf, the Directors and employees and in the trading of Top Shelf's securities. The policy provides that Directors and employees must not:

- deal in Top Shelf's or another company's securities when they are aware of 'inside' information; or
- hedge unvested equity remuneration or vested equity subject to holding locks.

In addition, Directors and certain restricted employees must not deal in Top Shelf's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on ASX on 30 June each year until the day following the announcement to ASX of the full year results;
- the period from the close of trading on ASX on 31 December each year until the day following the announcement to ASX of the half year results; and
- any other period that the Board specifies from time to time.

Outside these periods, Directors and certain restricted employees must, prior to any proposed dealing, notify the Company Secretary and seek approval for any proposed dealing in Top Shelf's securities, and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

#### 6.4.5.4 Code of Conduct

Top Shelf is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a Code of Conduct that outlines how Top Shelf expects its employees and Directors to behave and conduct business in the workplace on a range of issues.

The Code of Conduct is designed to:

- provide a benchmark for professional behaviour;
- support Top Shelf's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences of breaching the Code of Conduct.

#### 6.4.5.5 Diversity Policy

The Board has approved a Diversity Policy in order to, among other matters, actively facilitate a more diverse and representative management structure and workforce and address the representation of women in senior management positions and on the Board. The Board will include in the corporate governance statement each year the measurable objectives set for that reporting period and Top Shelf's progress towards achieving the measurable objectives.

#### 6.4.5.6 Speak Up Policy

Top Shelf has adopted a Speak Up Policy to provide a means for anyone with information about potential misconduct to report that information to the Company.

The Speak Up Policy:

- outlines Top Shelf's commitment to encouraging its people to 'speak up' if they become aware of potential misconduct;
- explains how to make a report and what protections a discloser will receive; and
- outlines Top Shelf's processes for responding to reports.

#### 6.4.5.7 Anti-Bribery and Corruption Policy

Top Shelf is committed to acting ethically and has zero tolerance for bribery and corruption. Top Shelf has developed an Anti-Bribery and Corruption Policy for countering bribery and corruption.

Personnel and business partners of Top Shelf must not pay, offer, promise or accept, directly or indirectly, any bribe, kickback, secret commission, facilitation payment or other form of improper payment, or otherwise breach relevant anti-corruption laws.

Personnel and business partners of Top Shelf must not do any of the following if doing so would constitute a breach of the Anti-Bribery and Corruption Policy:

- make political donations on behalf of Top Shelf;
- make any charitable or community donations or sponsorships that are or could be perceived as bribes;
- offer, provide or accept gifts, hospitality or travel;
- falsify or mis-describe any book, record or account relating to Top Shelf's business; or
- cause or authorise any of the above conduct or any other conduct that is inconsistent with the Anti-Bribery and Corruption Policy or any anti-corruption laws.



7.

**Details of  
the Offer**

## 7. Details of the Offer

### 7.1 The Offer

This Prospectus relates to an initial public offering of 21.4 million Shares, based on the issue of 15.9 million New Shares by the Company and the sale of 5.5 million Sale Shares by SaleCo.<sup>90</sup> The Offer is expected to raise \$47.2 million based on the Offer Price (and in the case of Shares offered under the Priority Offer, the Priority Offer Price). This comprises \$35.0 million for the issue of New Shares (the proceeds of which will be received by the Company) and \$12.2 million for the sale of Sale Shares by SaleCo (the proceeds of which SaleCo will pay to the Selling Shareholders net of costs).

The total number of Shares on issue at Completion of the Offer is expected to be 49.7 million<sup>91</sup> and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 43% of the Shares on issue on Completion of the Offer.

The Offer, as well as the Shares issued to entities associated with Adem Karafili and Drew Fairchild as described in Section 6.3.2.6, is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

#### 7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
- the Employee Gift Offer, which is open to Eligible Persons;
- the Priority Offer, which is open to Eligible Persons; and
- the Institutional Offer, which consisted of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Employee Gift Offer and the allocation policy under it are described in Section 7.4. Details of the Priority Offer and the allocation policy under it are described in Section 7.5. Details of the Institutional Offer and the allocation policy under it are described in Section 7.6.

The allocation of Shares between the Broker Firm Offer, the Employee Gift Offer, the Priority Offer and the Institutional Offer was determined by the Joint Lead Managers in agreement with Top Shelf and SaleCo.

The Offer has been fully underwritten by the Joint Lead Managers (except for the Employee Gift Offer). A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.

#### 7.1.2 Purpose of the Offer

The Offer is being conducted to:

- allow Top Shelf to make further investment in sales and marketing initiatives to support its growth strategies (including brand investment and sales labour costs);
- allow Top Shelf to make further investments in capital assets, including inventory and related storage assets and to fund completion of the acquisition of the Eden Lassie agave farm;
- provide Top Shelf with balance sheet flexibility and to repay existing debt; and
- provide a liquid market for certain Existing Shareholders to realise part of their investment in Top Shelf and an opportunity for others to invest in Shares.

90. The total number of Shares to be offered under the Offer does not include 0.9 million Shares being issued under this Prospectus at the Offer Price to entities controlled by Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).

91. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.



## 7. Details of the Offer

### 7.1.3 Sources and uses of funds

Table 7.1 sets out the sources and uses of funds following Completion.

**Table 7.1: Summary of Sources and Uses of funds**

Sources	\$ million	%	Uses	\$ million	%
Cash proceeds from issue of New Shares	35.0	74.2%	Sales & marketing (including brand investment and sales labour costs)	4.9	10.4%
Cash proceeds from the sale of Sale Shares	12.2	25.8%	Inventory and related storage asset capital expenditure	4.8	10.2%
			Eden Lassie farm final acquisition payment, capital expenditure and agave plant investment	2.7	5.7%
			General plant and equipment capital expenditure and R&D investment	0.9	1.9%
			General working capital	8.5	18.0%
			Repayment of borrowings and shareholder loans	8.6	18.2%
			Payments to Selling Shareholders	12.2	25.9%
			Offer transaction costs	4.6	9.7%
<b>Total</b>	<b>47.2</b>	<b>100%</b>	<b>Total</b>	<b>47.2</b>	<b>100.0%</b>

The table above is a statement of current intentions as at the Prospectus Date. Investors should be aware that, as with any budget, the allocation of funds sets out above may change depending on a number of factors, including the outcome of operational activities and market and general economic conditions. The Directors reserves the right to vary the uses of funds, acting in the best interests of Shareholders and as circumstances require.

### 7.1.4 Shareholding structure

Details of the ownership of Shares and Options immediately prior to Completion of the Offer and immediately following Completion of the Offer are set out in Table 7.2.

**Table 7.2: Shareholding structure**

Shareholder (or controller of Shareholder)	Shares on the Prospectus Date	% held at the Prospectus Date	Shares held on Completion of the Offer <sup>1</sup>	% held on Completion of the Offer	Options held at Completion of the Offer
Drew Fairchild	2,100,336	6%	2,552,824 <sup>2</sup>	5%	1,377,852
Adem Karafili	2,499,084	8%	2,951,572 <sup>2</sup>	6%	1,318,632
Other Directors and key management	3,695,328	11%	3,695,328	7%	2,327,859
Alium Capital	2,964,948	9%	1,926,624	4%	0
Paul Baggio	2,285,892	7%	1,496,292	3%	0
Other employees	1,397,592	4%	1,246,674	3%	1,358,112
Other Existing Shareholders	18,010,776	55%	14,615,496	29%	94,752
IPO investors	0	0%	21,243,286	43%	0
<b>Total</b>	<b>32,953,956</b>	<b>100%</b>	<b>49,728,096</b>	<b>100%</b>	<b>6,477,207</b>

1. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.
2. Includes 0.45 million Shares being issued under this Prospectus at the Offer Price to entities controlled by each of Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).

Details of the Shares and Options that will be subject to escrow arrangements are set out in Section 7.8.

The free float of Shares at the time of Listing on the Official List will be no less than 20% of the Shares on issue at that time.

### 7.1.5 Working capital

Top Shelf will have sufficient working capital at the time of its admission to the Official List of ASX to carry out its stated objectives and to meet operational requirements.

## 7.2 Terms and conditions of the Offer

Topic	Summary
<b>What is the type of security being offered?</b>	Shares (being fully paid ordinary shares in the capital of Top Shelf).
<b>What are the rights and liabilities attached to the security being offered?</b>	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12.

## 7. Details of the Offer

Topic	Summary
<b>What is the consideration payable for each security being offered?</b>	<p>Successful Applicants under the Institutional Offer and Broker Firm Offer will pay the Offer Price, being \$2.21 per Share.</p> <p>Successful Applicants under the Priority Offer will pay the Priority Offer Price, being \$1.88 per Share (a 15% discount to the Offer Price).</p> <p>Eligible Persons will pay no consideration for the Shares applied for under the Employee Gift Offer.</p>
<b>What is the Offer Period?</b>	<p>The key dates, including details of the Offer Period, are set out on page 9.</p> <p>No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time.</p> <p>The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer or any part of it early, to extend the Offer or any part of it, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicant).</p> <p>If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p>
<b>What are the cash proceeds to be raised?</b>	Approximately \$47.2 million is expected to be raised under the Offer if the Offer proceeds.
<b>Is the Offer underwritten?</b>	Yes. The Offer is fully underwritten by the Joint Lead Managers (except the Employee Gift Offer) pursuant to the Underwriting Agreement. Details are provided in Section 9.5.
<b>Who are the Joint Lead Managers?</b>	The Joint Lead Managers are Ord Minnett Limited and Wilsons Corporate Finance Limited.
<b>What is the minimum and maximum Application size under the Offer?</b>	<p><b>Broker Firm Offer</b></p> <p>The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p><b>Employee Gift Offer</b></p> <p>Eligible Persons will be offered the opportunity to apply for \$1,000 worth of Shares at no cost.</p> <p><b>Priority Offer</b></p> <p>The minimum Application size under the Priority Offer is \$2,000 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Priority Offer by any one person however a maximum of \$250,000 worth of Shares will be issued under the Priority Offer.</p>

Topic	Summary
<p><b>What is the allocation policy?</b></p>	<p>The allocation of Shares between the Broker Firm Offer, the Employee Gift Offer, Priority Offer and the Institutional Offer was determined by agreement between the Joint Lead Managers, the Company and SaleCo, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.7.2.</p> <p><b>Broker Firm Offer</b></p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p><b>Employee Gift Offer</b></p> <p>Under the Employee Gift Offer, Eligible Persons will be offered the opportunity to apply for \$1,000 worth of Shares at no cost.</p> <p><b>Priority Offer</b></p> <p>The allocation of Shares under the Priority Offer will be determined by the Company. A maximum of \$250,000 worth of Shares will be issued under the Priority Offer.</p> <p><b>Institutional Offer</b></p> <p>The allocation of Shares under the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company.</p> <p>Other than in relation to the Employee Gift Offer, the Joint Lead Managers, the Company and SaleCo have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application or allocate a lesser number of Shares than applied for. The Joint Lead Managers, the Company and SaleCo also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>
<p><b>When will I receive confirmation that my Application has been successful?</b></p>	<p>It is expected that holding statements will be dispatched by standard post on or around 7 December 2020.</p> <p>Refunds (without interest) to Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be made as soon as practicable after Completion of the Offer.</p> <p>No refunds pursuant solely to rounding will be provided.</p>
<p><b>Will the Shares be quoted?</b></p>	<p>Top Shelf will apply to ASX within seven days after the Prospectus Date for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code 'TSI').</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>Top Shelf will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Top Shelf to the Official List is not to be taken as an indication of the merits of Top Shelf or the Shares offered for subscription.</p>

## 7. Details of the Offer

Topic	Summary
<b>When are the Shares expected to commence trading?</b>	<p>It is expected that holding statements will be dispatched by standard post on or around 7 December 2020.</p> <p>It is expected that trading of the Shares on ASX will commence on or around 10 December 2020.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants will be able to confirm their holdings by telephoning the Top Shelf Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only). Applicants who sell Shares before they receive a holding statement do so at their own risk.</p> <p>The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, the Top Shelf Offer Information Line, a Broker or otherwise.</p>
<b>Are there any escrow arrangements?</b>	Yes. Details are provided in Section 7.8.
<b>Has any ASX waiver been obtained or been relied on?</b>	Yes. Details are provided in Section 9.10.
<b>Are there any taxation considerations?</b>	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 9.11 for general tax considerations.
<b>Are there any brokerage, commission or stamp duty considerations?</b>	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
<b>What should you do with any enquiries?</b>	<p>All enquiries in relation to this Prospectus should be directed to the Top Shelf Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only).</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>



## **7.3 Broker Firm Offer**

### **7.3.1 Who may apply**

The Broker Firm Offer is open to Australian resident retail clients of participating Brokers who received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not in the United States. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

### **7.3.2 How to apply**

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Top Shelf Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at [www.topshelfoffer.com.au](http://www.topshelfoffer.com.au). Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Monies are received before the end of the Offer Period, being 5.00pm (Melbourne time) on 30 November 2020 or any earlier closing date as determined by your Broker.

Broker clients should complete their Broker Firm Offer Application Form and lodge it with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Top Shelf, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

Top Shelf and SaleCo, in consultation with the Joint Lead Managers, may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date or time without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date or time. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

### **7.3.3 Payment methods**

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

### **7.3.4 Allocation policy under the Broker Firm Offer**

The allocation of Shares to Brokers will be determined by agreement between the Joint Lead Managers, Top Shelf and SaleCo. Shares that are allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Joint Lead Managers, Top Shelf and SaleCo to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not Top Shelf, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

## 7. Details of the Offer

### 7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to Top Shelf and SaleCo to apply for the amount of Shares specified in the Broker Firm Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Broker Firm Offer may not be varied and is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Broker Firm Offer Application Form or any lower number, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on Settlement and quotation of Shares on ASX.

Top Shelf, SaleCo and the Joint Lead Managers reserve the right to reject any Application that is not correctly completed or that is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer or to waive or correct any errors made by an Applicant in completing their Application.

### 7.3.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Top Shelf.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your B<sub>PAY</sub> payment or electronic funds transfer. If the amount of your B<sub>PAY</sub> payment or electronic funds transfer for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares.

## 7.4 Employee Gift Offer

### 7.4.1 Who may apply

All Eligible Persons are entitled to participate in the Employee Gift Offer. Eligible Persons are all permanent full-time and part-time employees of Top Shelf resident in Australia who are still employed by Top Shelf as at 5.00pm (Melbourne time) on the Prospectus Date and who remain employed (and have not given, or been given, a notice to terminate employment with Top Shelf) at Completion of the Offer, and all other persons who receive an invitation from the Company to participate in the Employee Gift Offer.

A separate written offer, together with this Prospectus, will be provided to Eligible Persons, detailing the terms of the Employee Gift Offer. Eligible Persons should read the separate written offer and this Prospectus carefully and in their entirety before deciding to apply under the Employee Gift Offer.

### 7.4.2 How to apply

A separate written offer, together with this Prospectus, will be provided to Eligible Persons, detailing the terms of the Employee Gift Offer.

Eligible Persons will be offered the opportunity to apply for \$1,000 worth of Shares at no cost.

### 7.4.3 Payment methods

No payment is required to participate in the Employee Gift Offer.

### 7.4.4 Allocation policy under the Employee Gift Offer

Under the Employee Gift Offer, Eligible Persons will receive an allocation of \$1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

## **7.5 Priority Offer**

### **7.5.1 Who can apply?**

The Priority Offer is open to Eligible Persons who have received an invitation to participate in the Offer from the Company and who have a registered address in Australia. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you.

### **7.5.2 How to apply**

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation to complete and lodge your Application.

By making an Application under the Priority Offer, you declare that you were invited to participate in the Priority Offer and were given access to this Prospectus (and any supplementary or replacement prospectus), together with a Priority Offer Application Form.

Applicants under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 worth of Shares (or such lower number of Shares applied for, subject to the minimum Application size of \$2,000 worth of Shares at the Priority Offer Price and in multiples of \$500 worth of Shares at the Priority Offer Price thereafter). There is no maximum value of Shares that may be applied for under the Priority Offer by any one person however a maximum of \$250,000 worth of Shares will be issued under the Priority Offer.

The Company reserve the right to scale back or reject Applications in whole or part, without giving any reason, subject to the terms of the guaranteed minimum allocation described above. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded. The Company may amend or waive the Priority Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Company, SaleCo and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Applicants are therefore encouraged to submit their Applications as early as possible.

### **7.5.3 Payment methods**

Applicants under the Priority Offer must pay by B<sub>PAY</sub> following the instructions outlined in their personalised invitation and Priority Offer Application Form.

When completing your B<sub>PAY</sub> payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) provided to you on your online Priority Offer Application Form.

It is the Applicant's responsibility to ensure payments are received by the end of the Offer Period, being 5.00pm (Melbourne time) on 30 November 2020. If you make a B<sub>PAY</sub> payment, your bank, credit union or building society may impose a limit on the amount that you can transact on B<sub>PAY</sub> and policies with respect to timing for processing B<sub>PAY</sub> transactions, may vary between bank, credit union or building society. The Company, SaleCo and the Joint Lead Managers take no responsibility for any failure to receive Application Monies by B<sub>PAY</sub> before the end of the Offer Period arising as a result of, among other things, delays in processing of payments by financial institutions.

If the amount of your B<sub>PAY</sub> payment for Application Monies (or the amount for which those B<sub>PAY</sub> payments clear in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Priority Offer Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for (and to also have specified that amount in your Priority Offer Application Form), or your Application may be rejected.

For more details, you should contact the Top Shelf Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (excluding public holidays).

## 7. Details of the Offer

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### 7.5.4 Allocation policy

Allocations under the Priority Offer will be at the absolute discretion of the Company.

A maximum amount of \$250,000 worth of Shares will be issued under the Priority Offer.

### 7.5.5 Acceptance of Applications

An Application in the Priority Offer is an offer by you to Top Shelf and SaleCo to apply for the amount of Shares specified in the Priority Offer Application Form at the Priority Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Priority Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Priority Offer is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Priority Offer Application Form or any lower number, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

Top Shelf, SaleCo and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Priority Offer, or to waive or correct any errors made by an Applicant in completing their Application.

### 7.5.6 Application Monies

Application Monies received under the Priority Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Top Shelf.

## 7.6 Further information about the Employee Gift Offer and Priority Offer

Participation in the Employee Gift Offer or Priority Offer does not automatically entitle Eligible Persons to participate in future grants of Awards under the Long Term Incentive Plan or any other employee incentive program, scheme or plan implemented by the Company. Eligibility to participate in any future grant, and the terms and conditions of any future grant, under any such employee incentive plan is determined by the Board in its absolute discretion.

Shares issued to Eligible Persons under the Employee Gift Offer and Priority Offer will be held in trust and subject to disposal restrictions for a period for three years from the date of Completion or the date on which the Eligible Person ceases to be employed by Top Shelf (whichever is earlier) (**Disposal Period**). Any Eligible Person who ceases employment with Top Shelf (for any reason) will be entitled to retain the Shares received under the Employee Gift Offer and Priority Offer.

At the end of the Disposal Period, Eligible Persons will, subject to the Company's securities trading policy and applicable law, be free to deal with the Shares.

Shares issued under the Employee Gift Offer and Priority Offer are not subject to forfeiture and carry the same rights and entitlements of other Shares, including distribution and voting rights. The Company may, at its discretion, use an employee share trust or other mechanism to acquire Shares (on or off market), for allocation to an Eligible Person in the Employee Gift Offer or Priority Offer.

Not all Eligible Persons in the Employee Gift Offer or Priority Offer will be able to take advantage of the taxation concession under the Australian tax legislation to acquire the Shares income tax-free. See Section 9.11 for an overview of the potential taxation implications of participating in the Employee Gift Offer and Priority Offer.

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## **7.7 Institutional Offer**

### **7.7.1 Invitations to bid**

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions outside the United States to bid for an allocation of Shares at the Offer Price. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

### **7.7.2 Allocation policy under the Institutional Offer**

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers, Top Shelf and SaleCo. The Joint Lead Managers, Top Shelf and SaleCo had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Top Shelf's desire for an informed and active trading market following Listing;
- Top Shelf's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Top Shelf, SaleCo and the Joint Lead Managers considered appropriate.



## 7. Details of the Offer

### 7.8 Escrow arrangements

Shares and Options are subject to mandatory escrow arrangements (see Section 7.8.1) and voluntary escrow arrangements (see Section 7.8.2). At Completion, 77% of the Shares held by Existing Shareholders will be subject to mandatory or voluntary escrow arrangements and 100% of the Options held by Existing Shareholders will be subject to mandatory escrow. A summary of these arrangements is provided in Table 7.3.

**Table 7.3: Summary of post-Completion escrow arrangements**

Shareholder (or controller of Shareholder)	Shares held on Completion <sup>1</sup>	Options held on Completion	Shares subject to mandatory or voluntary escrow	Options subject to mandatory or voluntary escrow	Percentage of Shareholding subject to escrow
Drew Fairchild	2,552,824 <sup>2</sup>	1,377,852	2,552,824	1,377,852	100%
Adem Karafili	2,951,572 <sup>2</sup>	1,318,632	2,951,572	1,318,632	100%
Other Directors and key management	3,695,328	2,327,859	3,695,328	2,327,859	100%
Alium Capital	1,926,624	0	963,312	0	50%
Paul Baggio	1,496,292	0	773,808	0	52%
Other employees <sup>3</sup>	1,246,674	1,358,112	1,041,378	1,358,112	84%
Other Existing Shareholders	14,615,496	94,752	10,006,206	94,752	68%
<b>Total</b>	<b>28,484,810</b>	<b>6,477,207</b>	<b>21,984,428</b>	<b>6,477,207</b>	<b>77%</b>

1. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.

2. Includes 0.45 million Shares being issued under this Prospectus at the Offer Price to entities controlled by each of Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).

3. Shares acquired by Eligible Persons under the Employee Gift Offer and Priority Offer will be escrowed from Completion until the earlier of three years from Completion or the Eligible Person ceasing employment.

#### 7.8.1 Mandatory escrow

As a condition of Listing, ASX will classify certain Shares and Options as 'restricted securities' and impose mandatory escrow on these Shares and Options.

Prior to Listing, certain Existing Shareholders (and entities and persons associated with them) will be required to enter into mandatory escrow restriction agreements in relation to certain Shares and Options held by them, and other Existing Shareholders (and entities and persons associated with them) will be provided with a 'restriction notice' by the Company. The table below sets out the number of Shares and Options expected to be subject to ASX imposed escrow and the escrow period.

The effect of the mandatory escrow arrangements will be that the Shares and Options cannot be dealt with for the duration of the relevant mandatory escrow period, except as set out in Section 7.8.3.

**Table 7.4: Mandatory escrow arrangements**

Shareholder (or controller of Shareholder)	Shares held on Completion <sup>1</sup>	Options held on Completion	Shares and Options subject to mandatory escrow until 12 months from date of original issue	Shares and Options subject to mandatory escrow until 24 months from Listing	Options subject to mandatory escrow until 12 months from date of original issue	Options subject to mandatory escrow until 24 months from Listing
Drew Fairchild	2,552,824 <sup>2</sup>	1,377,852	0	1,922,676	0	1,377,852
Adem Karafili	2,951,572 <sup>2</sup>	1,318,632	0	1,243,620	0	1,318,632
Other Directors and key management	3,695,328	2,327,859	0	2,676,744	777,756	1,550,103
Alium Capital	1,926,624	0	0	0	0	0
Paul Baggio	1,496,292	0	51,324	0	0	0
Other employees	1,246,674	1,358,112	0	252,672	1,358,112	0
Other Existing Shareholders	14,615,496	94,752	221,088	726,432	94,752	0
<b>Total</b>	<b>28,484,810</b>	<b>6,477,207</b>	<b>272,412</b>	<b>6,822,144</b>	<b>2,230,620</b>	<b>4,246,587</b>

1. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers.
2. Includes 0.45 million Shares being issued under this Prospectus at the Offer Price to entities controlled by each of Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).

### 7.8.2 Voluntary escrow

All Directors and key management personnel (as outlined in Sections 6.1 and 6.2), and some other Existing Shareholders (and entities and persons associated with them) have entered into voluntary arrangements with the Company in relation to some or all of the remainder of their Shares not subject to mandatory escrow. Pursuant to their respective arrangements, these Existing Shareholders holders agree, subject to certain limited exceptions as set out in Section 7.8.3, not to deal in those Shares for the duration of the voluntary escrow period. The table below sets out the number of Shares subject to voluntary escrow and the escrow period.

## 7. Details of the Offer

**Table 7.5: Voluntary escrow arrangements**

Shareholder (or controller of Shareholder)	Shares held on Completion <sup>1</sup>	Shares subject to voluntary escrow	Voluntary escrow period
Drew Fairchild	2,552,824 <sup>2</sup>	630,148	In respect of the following percentage of Shares subject to voluntary escrow: <ul style="list-style-type: none"> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021; and</li> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the half year ending 31 December 2021.</li> </ul>
Adem Karafili	2,951,572 <sup>2</sup>	1,707,952	In respect of the following percentage of Shares subject to voluntary escrow: <ul style="list-style-type: none"> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021; and</li> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the half year ending 31 December 2021.</li> </ul>
Other Directors and key management	3,695,328	1,018,584	In respect of the following percentage of Shares subject to voluntary escrow: <ul style="list-style-type: none"> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021; and</li> <li>• 50% until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the half year ending 31 December 2021.</li> </ul>
Alium Capital	1,926,624	963,312	Until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021.
Paul Baggio	1,496,292	722,484	Until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021.
Other employees <sup>3</sup>	1,246,674	788,706	Until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021.
Other Existing Shareholders	14,615,496	9,058,686	Until the close of trading on ASX on the day of the announcement to the ASX of Top Shelf's unaudited financial results for the financial year ending 30 June 2021.
<b>Total</b>	<b>28,484,810</b>	<b>14,889,872</b>	

1. Assumes the maximum of \$250,000 worth of Shares (equivalent to 132,978 Shares) are subscribed for by Eligible Persons under the Priority Offer and all Eligible Persons subscribe for their entitlement to Shares under the Employee Gift Offer. The Employee Gift Offer is not underwritten by the Joint Lead Managers. Shares acquired under the Employee Gift Offer are escrowed from Completion until the earlier of three years from Completion or the Eligible Person ceasing employment.
2. Includes 0.45 million Shares being issued under this Prospectus at the Offer Price to entities controlled by each of Drew Fairchild and Adem Karafili, who are reinvesting part of the loans provided by those entities to the Company via a subscription for Shares (see Section 6.3.2.6 for further details).
3. Shares acquired by Eligible Persons under the Employee Gift Offer and Priority Offer will be escrowed from Completion until the earlier of three years from Completion or the Eligible Person ceasing employment.

### 7.8.3 Restrictions on dealing and release of escrow

The mandatory escrow and voluntary escrow arrangements contain restrictions on dealing that are broadly defined and include, among other things, selling, transferring or otherwise disposing of any interest in the relevant Shares and Options, encumbering or granting a security interest over the Shares and Options, doing, or omitting to do, any act that would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

There are limited circumstances in which the escrow may be released, namely:

- to allow the Shareholder holder to accept an offer under a bona fide third party takeover bid made in relation to Top Shelf in accordance with the Corporations Act, provided that the holders of at least half of the Shares the subject of the bid that are not subject to escrow have accepted the takeover bid;
- to allow the Escrowed Shares to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act,

provided that, in each case, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement, then the holder of such Escrowed Shares agrees that the restrictions applying to the Escrowed Shares will continue to apply; or

- as a requirement by applicable law.

Additionally, in the case of the voluntary escrow, the relevant Existing Shareholders must not transfer their Escrowed Shares to another person if:

- the transfer would result in a change in the beneficial ownership of the Escrow Shares;
- the transfer would result in an extension in the escrow period; or
- the transferee does not agree to be subject to the same escrow restrictions.

## 7.9 Restrictions on distribution and acknowledgements

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be released or distributed in the United States.

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, SaleCo or a Broker receives an Application Form, it may not be withdrawn

## 7. Details of the Offer

- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, SaleCo and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that the Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company and SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant will be taken to have represented, warranted, agreed and acknowledged as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States or a US Person (as defined in the US Securities Act);
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S (as defined in the US Securities Act); and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties, acknowledgements and covenants set out in the confirmation of allocation letter distributed to it. Refer to Section 9.8 for further details on the selling restrictions relating to foreign jurisdictions.

### 7.10 Discretion regarding the Offer

Top Shelf and SaleCo may cancel or withdraw the Offer at any time before Completion of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Top Shelf and SaleCo, in consultation with the Joint Lead Manager, also reserve the right to, subject to the Corporations Act and the ASX Listing Rules, close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application, waive or correct any errors made by any Applicant in completing an Application Form or allocate to any Applicant fewer Shares than the amount applied for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

## 7.11 ASX listing, registers and holding statements

### 7.11.1 Application to ASX for listing and quotation of Shares

Top Shelf will apply to ASX for admission to the Official List and quotation of the Shares on ASX within seven days of the Prospectus Date. Top Shelf's code is expected to be 'TSI'.

Completion of the Offer is conditional on ASX approving this application. If Top Shelf does not make such an application within seven days of the Prospectus Date, or approval is not given for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.

Top Shelf will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Top Shelf from time to time.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Top Shelf to the Official List is not to be taken as an indication of the merits of Top Shelf or the Shares offered for subscription.

### 7.11.2 CHESS and issuer sponsored holdings

Top Shelf will apply to participate in ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. It is expected that holding statements will be dispatched by standard post on or around 7 December 2020. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker (in the case of a holding on the CHESS subregister) or through the Share Registry (in the case of a holding on the issuer sponsored subregister). Top Shelf and the Share Registry may charge a fee for these additional issuer sponsored statements.

## 7.12 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Top Shelf is admitted to the Official List.



## **7. Details of the Offer**

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### **7.12.1 Meetings of members**

Every Shareholder is entitled to receive notice of, attend and vote at general meetings of Top Shelf and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

The Directors may determine to hold a general meeting of members using or with the assistance of any technology that gives the members as a whole a reasonable opportunity to participate, which may include but is not limited to electronic participation facilities or linking separate meeting places together by technology.

### **7.12.2 Voting at a general meeting**

At a general meeting of Top Shelf, every Shareholder present (in person or by proxy, attorney or representative) and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each Share held by the Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any deliberative vote.

### **7.12.3 Dividends**

The Board may pay any dividends that, in its judgement, the financial position of Top Shelf justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share and fix a record date for a dividend and method of payment.

### **7.12.4 Transfer of Shares**

Subject to the Constitution and any restrictions attached to a Shareholder's Shares, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the Corporations Regulations and the ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

### **7.12.5 Issue of further Shares**

The Board may, subject to the Constitution, the Corporations Act and the ASX Listing Rules, issue, allot or grant options for, or otherwise dispose of, Shares in Top Shelf on such terms as the Board decides.

### **7.12.6 Preference shares**

Top Shelf may issue preference shares including preference shares that are, or at the option of Top Shelf or a holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Shareholders.

### **7.12.7 Winding up**

If Top Shelf is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to share in any surplus property of Top Shelf in proportion to the number of shares held by them.

If Top Shelf is wound up, the liquidator may, with the sanction of a special resolution, divide among the shareholders all or part of Top Shelf's property and decide how the division is to be carried out as between shareholders or different classes of shareholders.

### **7.12.8 Non-marketable parcels**

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution.

### **7.12.9 Variation of class rights**

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

### **7.12.10 Directors – appointment and retirement**

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of seven Directors unless Top Shelf resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of Top Shelf.

No Director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director, either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of Top Shelf following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated or recommended by the Board or if not less than the number of Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements) nominate a person in accordance with the Constitution.

### **7.12.11 Directors – voting**

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors entitled to vote at the meeting, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board if all of the Directors who are entitled to vote on the resolution and would have constituted a quorum at a physical meeting of Directors sign or consent to the resolution.

### **7.12.12 Directors – remuneration**

Under the Constitution, the Board may decide the remuneration from Top Shelf to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by Top Shelf in general meeting. The remuneration of a Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2.3. Any change to that maximum aggregate amount needs to be approved by Shareholders in general meeting.

Directors are entitled to be paid for all travelling and other expenses incurred in attending to Top Shelf's affairs, including attending and returning from general meetings of Top Shelf or of the Board or of committees of the Board. Any Director who performs extra services, makes any special exertions for the benefit of Top Shelf or otherwise performs services that, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of funds of Top Shelf.

Directors' remuneration is discussed further in Section 6.3.2.

### **7.12.13 Powers and duties of Directors**

The business and affairs of Top Shelf are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of Top Shelf and are not required by law or the Constitution to be done by Top Shelf in general meeting.

## **7. Details of the Offer**

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### **7.12.14 Access to records**

Top Shelf may enter into contracts with a Director or former Director agreeing to provide continuing access, for a specified period after the Director ceases to be a Director, to board papers, books, records and documents of Top Shelf that relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. Top Shelf may procure that its subsidiaries provide similar access to board papers, books, records or documents.

### **7.12.15 Indemnities**

Top Shelf must indemnify each officer of Top Shelf on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by that person as an officer of Top Shelf or its related bodies corporate.

Top Shelf may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including but not limited to a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

### **7.12.16 Amendment**

The Constitution may be amended only by special resolution passed by at least 75% of the Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

### **7.12.17 Share capital**

On Completion of the Offer, the only classes of security on issue by Top Shelf will be fully paid ordinary shares.



8.

## Independent Limited Assurance Report

## 8. Independent Limited Assurance Report



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12 November 2020

The Board of Directors  
Top Shelf International Holdings Limited  
16 – 18 National Boulevard  
Campbellfield, VIC 3061

The Board of Directors  
Top Shelf SaleCo Ltd  
16 – 18 National Boulevard  
Campbellfield, VIC 3061

Dear Directors

### **PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION**

#### **1. Introduction**

We have been engaged by Top Shelf International Holdings Limited (“Top Shelf” or the “Company”) and Top Shelf SaleCo Ltd (“SaleCo”) to report on the statutory historical financial information, pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of Top Shelf for inclusion in the prospectus to be dated on or about 12 November 2020 (“Prospectus”), and to be issued by Top Shelf and SaleCo, in respect of an initial public offering of fully paid ordinary shares in Top Shelf (the “Offer”).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). David Lomax is a Director and Representative of Ernst & Young Strategy and Transactions Limited. We have included our Financial Services Guide as Part 2 of this report.

#### **2. Scope**

##### ***Statutory Historical Financial Information***

You have requested Ernst & Young Strategy and Transactions Limited to review the following historical financial information of Top Shelf:

- ▶ the statutory historical consolidated statements of profit or loss for the years ended 30 June 2018 (“FY18”), 30 June 2019 (“FY19”) and 30 June 2020 (“FY20”) as set out in Table 4.3 of Section 4.3.3 of the Prospectus;
- ▶ the statutory historical consolidated statement of financial position as at 30 June 2020 as set out in Table 4.5 of Section 4.4.1 of the Prospectus; and



- ▶ the statutory historical consolidated cash flows for FY18, FY19 and FY20 as set out in Table 4.9 of Section 4.5.2 of the Prospectus.

(Hereafter the “Statutory Historical Financial Information”).

The Statutory Historical Financial Information has been derived from the consolidated general purpose financial statements of Top Shelf for FY18, FY19 and FY20, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion on the consolidated financial statements for FY18 with respect to inventory balances as at 1 July 2017 and also included a material uncertainty related to going concern. Ernst & Young issued unqualified audit opinions, and included a material uncertainty related to going concern, on the consolidated financial statements for FY19 and FY20.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of Australian Accounting Standards (“AAS”) issued by the Australian Accounting Standards Board (“AASB”), which are consistent with the International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board (“IASB”).

#### ***Pro Forma Historical Financial Information***

You have requested Ernst & Young Strategy and Transactions Limited to review the following pro forma historical financial information of Top Shelf:

- ▶ the pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20 as set out in Table 4.1 of Section 4.3.1 of the Prospectus;
- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2020 as set out in Table 4.5 of Section 4.4.1 of the Prospectus; and
- ▶ the pro forma historical consolidated cash flows for FY18, FY19 and FY20 as set out in Table 4.8 of Section 4.5.1 of the Prospectus.

(Hereafter the “Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Top Shelf, and adjusted for the effects of pro forma adjustments described in Sections 4.3.4, 4.4.1 and 4.5.3 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS other than to include adjustments that have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant periods; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2020.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position, financial performance and cash flows.



## 8. Independent Limited Assurance Report



### **Statutory Forecast Financial Information**

You have requested Ernst & Young Strategy and Transactions Limited to review the following forecast financial information of Top Shelf:

- ▶ the statutory forecast consolidated statement of profit or loss for the year ending 30 June 2021 ("FY21") as set out in Table 4.1 of Section 4.3.1 of the Prospectus; and
- ▶ the statutory forecast consolidated cash flows for FY21 as set out in Table 4.8 of Section 4.5.1 of the Prospectus.

(Hereafter the "Statutory Forecast Financial Information").

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information of Top Shelf are described in Sections 4.6.1 and 4.6.3 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with the recognition and measurement principles of AAS issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB.

### **Pro Forma Forecast Financial Information**

You have requested Ernst & Young Strategy and Transactions Limited to review the following pro forma forecast financial information of Top Shelf:

- ▶ the pro forma forecast consolidated statement of profit or loss for FY21 as set out in Table 4.1 in Section 4.3.1 of the Prospectus; and
- ▶ the pro forma forecast consolidated cash flows for FY21 as set out in Table 4.8 of Section 4.5.1 of the Prospectus.

(Hereafter the "Pro Forma Forecast Financial Information").

(the Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is collectively referred to as the "Financial Information").

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information of Top Shelf, after adjusting for the effects of the pro forma adjustments described in Sections 4.3.4 and 4.5.3 of the Prospectus.

The Pro Forma Forecast Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS, other than to include adjustments that have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that are forecast to occur in the relevant periods; and (ii) the impact of certain transactions as if they occurred on or after 1 July 2020.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual or prospective financial performance or cash flows for FY21.



The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

### **3. Directors' Responsibility**

#### ***Statutory Historical and Pro Forma Historical Financial Information***

The directors of Top Shelf (the "Directors") are responsible for the preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

#### ***Statutory Forecast Financial Information and Pro Forma Forecast Financial Information***

The Directors are responsible for the preparation and presentation of the Statutory Forecast Financial Information for FY21, including the basis of preparation, the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for FY21, including the basis of preparation, selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

### **4. Our Responsibility**

#### ***Statutory Historical and Pro Forma Historical Financial Information***

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

#### ***Statutory Forecast Financial Information and Pro Forma Forecast Financial Information***

Our responsibility is to express a limited assurance conclusion on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information itself, based on our limited assurance engagement.

## 8. Independent Limited Assurance Report



We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

### 5. Conclusions

#### **Statutory Historical Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of Top Shelf comprising:

- ▶ the statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20 as set out in Table 4.3 of Section 4.3.3 of the Prospectus;
- ▶ the statutory historical consolidated statement of financial position as at 30 June 2020 as set out in Table 4.5 of Section 4.4.1 of the Prospectus; and
- ▶ the statutory historical consolidated cash flows for FY18, FY19 and FY20 as set out in Table 4.9 of Section 4.5.2 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

#### **Material Uncertainty Related to Going Concern – Statutory Historical Financial Information**

We draw attention to Section 4.2.3 of the Prospectus, which describes the principal conditions that raise doubt about Top Shelf's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about Top Shelf's ability to continue as a going concern. Our limited assurance conclusion is not modified in respect of this matter.

#### **Pro Forma Historical Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of Top Shelf comprising:

- ▶ the pro forma historical consolidated statements of profit or loss for FY18, FY19 and FY20 as set out in Table 4.1 of Section 4.3.1 of the Prospectus;
- ▶ the pro forma historical consolidated statement of financial position as at 30 June 2020 as set out in Table 4.5 of Section 4.4.1 of the Prospectus; and
- ▶ the pro forma historical consolidated cash flows for FY18, FY19 and FY20 as set out in Table 4.8 of Section 4.5.1 of the Prospectus,



is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

#### **Statutory Forecast Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the Directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information of Top Shelf for FY21 do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- ▶ in all material respects, the Statutory Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 4.6.1 and 4.6.3 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and
- ▶ the Statutory Forecast Financial Information itself is unreasonable.

#### **Pro Forma Forecast Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the Directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of Top Shelf for FY21 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- ▶ in all material respects, the Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 4.6.1 and 4.6.3 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and
- ▶ the Pro Forma Forecast Financial Information itself is unreasonable.

#### **Statutory Forecast Financial Information and Pro Forma Forecast Financial Information**

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by Top Shelf's management and adopted by the Directors, in order to provide prospective investors with a guide to the potential financial performance and cashflows of Top Shelf for FY21. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based relate to future events and/or transactions that Top Shelf's management expect to occur and actions that Top Shelf's management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Top Shelf. Evidence may be available to support the Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is

## 8. Independent Limited Assurance Report



based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Top Shelf, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 5 and 4.8 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Top Shelf, that all material information concerning the prospects and proposed operations of Top Shelf has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### 6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

### 7. Consent

Ernst & Young Strategy and Transactions Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### 8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions Limited does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Strategy and Transactions Limited

David Lomax  
Director and Representative



Ernst & Young Strategy and Transactions  
Limited  
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12 November 2020

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT  
LIMITED ASSURANCE REPORT**

**PART 2 – FINANCIAL SERVICES GUIDE**

**1. Ernst & Young Strategy and Transactions**

Ernst & Young Strategy and Transactions Limited (“Ernst & Young Strategy and Transactions” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

**2. Financial Services Guide**

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

**3. Financial services we offer**

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

**4. General financial product advice**

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.



## 8. Independent Limited Assurance Report



### 5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$44,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in Section 6.3.1 of the Prospectus, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

### 6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

### 7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

### 8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

### 9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.


**Contacting Ernst & Young Strategy  
and Transactions**

AFS Compliance Manager

Ernst & Young

200 George Street

Sydney NSW 2000

Telephone: (02) 9248 5555

**Contacting the Independent Dispute Resolution  
Scheme:**

Australian Financial Complaints Authority Limited

GPO Box 3

Melbourne, VIC 3001

Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.



9.

## Additional Information

## 9. Additional Information

### 9.1 Registration

The Company was registered in Victoria, Australia on 7 June 2013 as a proprietary company limited by shares and was converted into a public company limited by shares on 17 October 2019.

SaleCo was registered in Victoria, Australia on 13 October 2020 as a public company limited by shares.

### 9.2 Company tax status and financial year

The Company is, and will be, subject to tax at the Australian corporate tax rate on its taxable income. Top Shelf's financial year ends on 30 June annually.

### 9.3 Corporate structure

The diagram below sets out the corporate structure of Top Shelf before and after Completion of the Offer. Each of the entities shown are incorporated in Victoria, Australia and carry out Top Shelf's business.

Figure 9.1: Summary of corporate structure



### 9.4 Sale of Shares by Existing Shareholders

SaleCo has been established to enable Existing Shareholders to sell some or all of their Existing Shares into the Offer (**Selling Shareholders**). The Selling Shareholders have executed sale deeds with SaleCo under which they irrevocably offer to sell some or all of their Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Completion of the Offer.

The Selling Shareholders have agreed to sell up to approximately 5.5 million Existing Shares to SaleCo (being 17% of their Existing Shares). The Existing Shares that SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. The Company will also issue New Shares to successful Applicants under the Offer.

SaleCo is a special purpose vehicle that has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the sale deeds described above. The directors of SaleCo are Adem Karafili, Drew Fairchild and Kim Graves and the sole shareholder of SaleCo is Drew Fairchild. The Company has indemnified SaleCo and each director of SaleCo for any loss that SaleCo or any director of SaleCo may incur as a consequence of the Offer.

## 9. Additional Information

### 9.5 Underwriting Agreement

The Offer is underwritten (except the Employee Gift Offer) and lead managed by the Joint Lead Managers pursuant to an underwriting agreement dated 12 November 2020 between the Company, SaleCo and the Joint Lead Managers (**Underwriting Agreement**).

#### 9.5.1 Fees, costs and expenses

On settlement of the Offer, which is expected to occur on 3 December 2020 (**Settlement Date**), the Company must pay the Joint Lead Managers:

- an underwriting fee of 3.00% of the Offer proceeds; and
- a selling and management fee of 1.50% of the Offer proceeds.

The Company may, in its absolute discretion, also pay to the Lead Manager an incentive fee of up to 0.75% of the Offer proceeds. These fees will be shared equally between the Joint Lead Managers.

The Offer proceeds are calculated by multiplying the total number of Shares issued and transferred under this Prospectus (excluding the Shares issued under the Employee Gift Offer and Shares issued to entities controlled by Drew Fairchild and Adem Karafili as described in Section 6.3.2.6) by the Offer Price.

Any fees payable to Brokers, co-lead managers and co-managers appointed in relation to the Offer are payable by the Joint Lead Managers from the underwriting and selling and management fees described above. The Company has agreed to reimburse the Joint Lead Managers for reasonable costs of, and incidental to, the Offer.

#### 9.5.2 Termination events

At any time from the date of execution of the Underwriting Agreement until 10.00am on the Settlement Date or at any other time as specified below, a Joint Lead Manager may terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Manager) by notice to the Company, SaleCo and the other Joint Lead Manager, if any of the following events occur:

- (**disclosures**) a statement contained in this Prospectus is misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus of material required to be included in it;
- (**supplementary prospectus**) the Company and SaleCo:
  - issue or are required to issue, a supplementary prospectus to comply with section 719(1) of the Corporations Act; or
  - lodge a supplementary prospectus with ASIC that has not been approved by the Joint Lead Managers;
- (**market fall**) at any time the S&P/ASX 300 Index falls to a level that is 87.5% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for at least 2 consecutive Business Days during any time after the date of the Underwriting Agreement and prior to the Settlement Date; or
  - on the Business Day immediately prior to the Settlement Date;
- (**share sale deed**) the share sale deed entered into by each Selling Shareholder pursuant to which those Selling Shareholders offer to sell some or all of their Existing Shares to SaleCo is:
  - terminated or rescinded; or
  - in any material respect, altered or amended, breached or failed to be complied with;
- (**escrow agreements**) any of the voluntary escrow deeds referred to in Section 7.6 are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- (**forecasts**) there are not, or there ceases to be, reasonable grounds for any statement or estimate in this Prospectus or any other Offer document which relate to a future matter or any statement or estimate in this Prospectus or any other Offer document which relate to a future matter is reasonably unlikely to be met in the projected timeframe (including in each case financial forecasts);



- **(fraud)** any of the Company, SaleCo or any of their directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the official list of ASX on or before 3 December 2020; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the date scheduled for commencement of trading on ASX,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- **(notifications)** any of the following notifications are made in respect of the Offer:
  - ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer, this Prospectus or other Offer related documents, and the application is not dismissed or withdrawn before the Settlement Date;
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn before the Settlement Date;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or other Offer related document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or other Offer related document, and any such application, inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the Settlement Date it has not been withdrawn before the Settlement Date;
  - any person who has previously consented to the inclusion of its name in this Prospectus (other than the Joint Lead Managers) withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus (other than the terminating Joint Lead Manager, co-lead manager or co-manager);
- **(certificate)** the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- **(withdrawal)** the Company or SaleCo withdraws this Prospectus, any Supplementary Prospectus or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **(timetable)** an event specified in the timetable for the Offer up to and including the Settlement Date is delayed by more than 2 Business Days;
- **(unable to issue or transfer Shares)** the Company is prevented from issuing, or SaleCo is prevented from transferring, the New Shares and Sale Shares (as applicable), by applicable laws, an order of a court of competent jurisdiction or a Governmental authority, within the time required by the timetable for the Offer, this Prospectus, the Listing Rules, the Corporations Act and any other applicable laws;
- **(repayment of Application Monies)** any circumstance arises after lodgement of this Prospectus with ASIC that results in the Company either repaying the money received from Applicants or offering Applicants an opportunity to withdraw their Applications for Shares and be repaid their Application Monies;
- **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for a Joint Lead Manager to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;
- **(change to Company)** the Company:
  - alters the issued capital of the Company or a subsidiary; or
  - disposes or attempts to dispose of a substantial part of its business or property,
  - without the prior written approval of the Joint Lead Managers (not to be unreasonably withheld or delayed);



## 9. Additional Information

- **(constitution)** the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers or the Company does not comply with its constitution;
- **(insolvency events)** the Company, any of its subsidiaries or SaleCo becomes insolvent, or there is an act or omission which is reasonably likely to result in any of those entities becoming insolvent;
- **(change in management)** a change in the managing director or executive chairman of the Company is announced or occurs, or there is a change in the board of directors of the Company without the prior written consent of the Joint Lead Managers (which must not be unreasonably withheld or delayed); or
- **(prosecution)** any of the following occurs:
  - a director or proposed director of the Company or SaleCo is charged with an indictable offence; or
  - any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6.

### 9.5.3 Termination events subject to materiality

At any time from the date of execution of the Underwriting Agreement until 10.00am on the Settlement Date or at any other time as specified below, a Joint Lead Manager may terminate the Underwriting Agreement (without any cost or liability to the Joint Lead Manager) by notice to the Company, SaleCo and the other Joint Lead Manager, if any of the following events occur but only if the Joint Lead Manager has reasonable grounds to believe and does believe that the event:

- has, or is reasonably likely to have, a materially adverse effect on:
  - the success, settlement, outcome or marketing of the Offer or on the ability of the Joint Lead Manager to market, promote or settle the Offer; or
  - the willingness of investors to subscribe for Shares under this Prospectus; or
- will, or is reasonably likely to, give rise to a liability of the Joint Lead Manager or its affiliates under, or a contravention by the Joint Lead Manager or its affiliates of, any applicable law.

The events are:

- **(compliance with law)** this Prospectus or any other Offer document or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law;
- **(new circumstances)** there occurs a new circumstance that arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement;
- **(disclosures in public information)** a statement in public or other media statements made by the Company or SaleCo on or after the date of the Underwriting Agreement is or becomes misleading or deceptive or is likely to mislead or deceive;
- **(disclosures in the due diligence report)** the due diligence committee report prepared in connection with the Offer is, or becomes, false, misleading or deceptive, including by way of omission;
- **(information supplied)** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of the Company to the Joint Lead Managers in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);
- **(product warning)** a product contamination occurs or a product warning or recall is issued by a Government agency in Australia in relation to any of the Company's products;
- **(legal proceedings)** any of the following occurs:
  - the commencement of legal proceedings against the Company, any of its subsidiaries or SaleCo or against any director or officer of any of them in that capacity; or
  - any Governmental agency commences any inquiry and such inquiry is not discontinued or withdrawn by the Settlement Date;
- **(adverse change)** an event occurs which is, or is reasonably likely to give rise to an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group (taken as a whole) from those disclosed in the Prospectus lodged with ASIC on the Lodgement Date;

- **(misleading certificate)** a statement in any closing certificate provided in accordance with the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect;
- **(breach of laws)** there is a contravention by the Company, any of its subsidiaries or SaleCo of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, its constitution or the Listing Rules, or any other applicable law;
- **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed;
- **(breach)** the Company or SaleCo defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- **(encumbrances)** other than as disclosed in this Prospectus, the Company or a subsidiary charges or agrees to charge or creates any encumbrance over the whole, or a substantial part, of its business or property;
- **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States, Japan, Germany, the United Kingdom, the Peoples' Republic of China and the Hong Kong Special Administrative Region:
  - hostilities not presently existing commence;
  - a major escalation in existing hostilities occurs (whether war is declared or not);
  - a declaration is made of a national emergency or war; or
  - a major terrorist act is perpetrated; or
- **(disruption in financial markets)** any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the United States, Japan, Germany, the United Kingdom, the Peoples' Republic of China or the Hong Kong Special Administrative Region is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, New Zealand, the United States, Japan, the United Kingdom, the Peoples' Republic of China or the Hong Kong Special Administrative Region, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange, the Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended for at least 1 day on which that exchange is open for trading.

#### 9.5.4 Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings provided by the Company and SaleCo to the Joint Lead Managers.

The representations and warranties relate to matters such as powers and capacities to enter into and perform obligations under the Underwriting Agreement, conduct of the Company and SaleCo (including in respect of its compliance with applicable laws and the Listing Rules, business and status, due diligence and disclosure), certain documents issued by the Company in connection with the Offer (which includes this Prospectus and the associated offering documents), the information provided to the Joint Lead Managers (including financial information), insolvency, conduct of the Offer, litigation, licences and insurance.

The Company's undertakings include that it will not, from the date of the Underwriting Agreement up until 120 days after Completion of the Offer, without the prior written consent of the Joint Lead Managers (acting reasonably and without delay), issue or agree to issue any Shares or other securities of the Company or permit any group member to do any of the foregoing, other than the issue of Shares under the Offer, the Underwriting Agreement, an equity incentive plan or a dividend reinvestment or a bonus share plan. The Company also undertakes from the date of the Underwriting Agreement until 120 days after Completion of the Offer to carry on its business in the ordinary course and not dispose of any material part of its business or property, except in the ordinary course or as disclosed in this Prospectus.

## 9. Additional Information

### 9.5.5 Indemnity

The Company and SaleCo agree to keep the Joint Lead Managers and certain of the Joint Lead Managers' affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions including fraud, wilful misconduct, recklessness and gross negligence of the Joint Lead Managers and certain of the Joint Lead Managers' affiliated parties.

## 9.6 Distribution arrangements

As described further in Section 3.5.2, Top Shelf distributes its products through the Metcash Limited owned Australian Liquor Marketers (**ALM**) and the retail banner group Independent Brands Australia (**IBA**).

Top Shelf's products are sold in accordance with ALM's and IBA's standard trading terms and conditions. ALM and IBA are not required to purchase a minimum quantity of Top Shelf's products and therefore rely on ALM and IBA submitting purchase orders. The trading terms and conditions generally have a term of 12 months. The IBA trading terms and conditions may be terminated by either IBA or Top Shelf by giving 2 months' notice to the other party. The ALM trading terms and conditions may be terminated by either ALM or Top Shelf by giving 3 months' notice to the other party or immediately by ALM if Top Shelf is insolvent, fails to comply with the terms and conditions or engages in fraudulent activity.

## 9.7 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.7 contains a general description of these laws.

### 9.7.1 Corporations Act

The takeovers provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in listed companies, either themselves or through an associate.

### 9.7.2 Foreign Acquisitions and Takeovers Act

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where a foreign person holds a substantial interest in the company or foreign persons hold an aggregate substantial interest in the company, the company itself will be a 'foreign person' for the purposes of the FATA.

Where an acquisition of a substantial interest or an aggregate substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

## 9.8 Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

### Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

## 9. Additional Information

This document has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) an “accredited investor” (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of Shares.

Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to “qualified investors” (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

### 9.9 Legal proceedings

The Company and its subsidiaries are, from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there is no current, pending or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company or its subsidiaries are directly or indirectly concerned, which is likely to have a material adverse impact on the business or financial position of the Company.

### 9.10 ASX waiver

ASX has given in-principle advice to the Company that it would be likely to grant a waiver from ASX Listing Rule 1.1, Condition 12 to the extent necessary to permit the Non-Executive Director Options described in Section 6.3.4.3 to have a nil exercise price.

## 9.11 Taxation considerations

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters an investor needs to consider when making a decision about their investments. Investors should consider taking advice from a licensed adviser, before making a decision about their investments.

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax, stamp duty and GST implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors.

These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made certain elections (eg, to apply the fair value or reliance on financial reports methodologies).

### 9.11.1 Non-resident capital gains tax withholding

Pursuant to the Offer:

- the Company will be issuing new Shares to investors; and
- SaleCo will be selling Shares to investors.

Investors should not have an obligation to withhold any portion of the price paid for the Shares under the Offer because:

- the Shares issued by the Company are not indirect real property interests as defined in section 855-25 of the Income Tax Assessment Act 1997 (Cth) for the purposes of the non-resident capital gains tax withholding regime because they are not membership interests that the Company holds in another entity; and
- in accordance with subsection 14-225(1) of the Taxation Administration Act 1953 (Cth), SaleCo declares that, for the period from the Prospectus Date until the date of Completion of the Offer, it is and will be an Australian resident for income tax purposes.

### 9.11.2 Dividends paid on Shares

Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, the investor should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, an individual investor will generally be taxed at his or her prevailing marginal rate on the dividend received (with no tax offset). Complying superannuation entities will generally be taxed at the prevailing rate for complying superannuation entities on the dividend received (with no tax offset).



## 9. Additional Information

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### 9.11.3 Corporate investors

Corporate investors are also required to include both the dividend and where a fully franked or partially franked dividend is received, the associated franking credit in their assessable income.

Corporate investors are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow the corporate investor to pass on the franking credits to its investor(s) on the subsequent payment of franked dividends.

Excess franking credits received by corporate investors will not give rise to a refund entitlement for a company, but can be converted into carry forward tax losses instead.

### 9.11.4 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include any dividends and any franking credit received in determining the net income of the trust or partnership. Where a fully franked or partially franked dividend is received, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

### 9.11.5 Shares held at risk

The benefit of franking credits can be denied where an investor is not a "qualified person", in which case the investor will not need to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a "qualified person", two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold shares "at risk" for more than 45 days continuously (which is measured as the period commencing the day after the shares were acquired and ending on the 45th day after the shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing" arrangements. Shareholders should consider the impact of these rules together with the broader integrity provisions that apply to the claiming of tax offsets, having regard to their own personal circumstances.

### 9.11.6 Disposal of Shares

Most Australian resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account as trading stock, or be subject to the Taxation of Financial Arrangements regime. These investors should seek their own professional advice in respect of the consequences of a disposal of Shares.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received on disposal exceeds the CGT cost base of the Shares. The CGT cost base of the Shares is broadly the amount paid to acquire the Shares plus any transaction and incidental costs.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33%.

In relation to trusts, the CGT discount rules are complex, but the discount may flow through to presently entitled beneficiaries of the trust where the beneficiary would themselves be entitled to apply the CGT discount.

An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, generally speaking, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

### 9.11.7 Tax file numbers

An investor is not required to quote their TFN to the Company. However, if their TFN details (or certain exemption details) are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor who holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

### 9.11.8 Stamp duty

No stamp duty should be payable by investors on the acquisition of the Shares provided no investor (either alone or together with associated persons or as part of an associated transaction) acquires a 90% or more interest in the Company.

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

### 9.11.9 GST

The acquisition, redemption or disposal of the Shares by an Australian resident should not give rise to any GST liabilities.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor may not be entitled to claim full input tax credits in respect of GST on expenses incurred relating to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own tax advice on the impact of GST in their own particular circumstances.

## 9. Additional Information

### 9.12 Consent to be named and statement and disclaimers of responsibility

Each of the parties listed below in this Section 9.12 (each a **consenting party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the consenting parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in the form and context in which it is named and/or the inclusion of statements or reports in this Prospectus that are specified below in the form and context in which the statements or reports appear:

- each Joint Lead Manager have given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Herbert Smith Freehills has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation and stamp duty matters) to the Company in relation to the Offer in the form and context in which it is named;
- Ernst & Young Strategy and Transactions Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Independent Limited Assurance Report in Section 8 in the form and context in which it is included;
- Ernst & Young has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as auditor of the Company, tax adviser to the Company and the provider of financial and tax due diligence services to the Company in relation to the Offer in the form and context in which it is named;
- Euromonitor International Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of parts of its reports: Alcoholic Drinks in Australia, 2020 edition (September 2020), Alcoholic Drinks in USA, 2020 edition (September 2020), Alcoholic Drinks in China, 2020 edition (September 2020) and Alcohol Passport Report 2020, in the form and context in which they are included; and
- Boardroom Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Share Registry to the Company in the form and context in which it is named.

No consenting party referred to in this Section 9.12 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section 9.12 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section 9.12.

### 9.13 Costs of the Offer

The costs of the Offer are expected to be approximately \$4.6 million (including GST). These costs have been, or will be, borne by the Company from the proceeds of the Offer.

### 9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

### 9.15 Statement of Directors

The issue of this Prospectus has been authorised by each Director and each SaleCo Director. Each Director and each SaleCo Director has consented to the lodgement of this Prospectus with ASIC and to its issue and that consent has not been withdrawn.



# 10.

## Summary of Key Accounting Policies

## 10. Summary of Key Accounting Policies

Set out below is a summary of the significant accounting policies adopted in preparing the Financial Information presented in this Prospectus.

### Revenue recognition

Top Shelf recognises revenue as follows:

#### Revenue from contracts with customers

Revenue is recognised when or as Top Shelf transfers control of goods or services to a customer at the amount to which Top Shelf expects to be entitled. If the consideration promised includes a variable component, Top Shelf estimates the expected consideration for the estimated impact of the variable component at the point of recognition e.g. discount and re-estimated at every reporting date.

Top Shelf is producer and marketer of high quality Australian spirits based beverage brands and provider of contract packaging services. Top Shelf generates revenue from the sale of its branded products and by providing contract packing services to third parties for alcoholic and non-alcoholic products. Revenue is recognised when the goods have left the warehouse.

Revenue from the sale of these goods is recognised when control over the inventory has transferred to the customer. Control is generally considered to have passed when:

- (a) Physical possession and inventory risk is transferred to the customer;
- (b) Payment terms for the sale of goods can be clearly identified through invoices issued to customers; and
- (c) The customer has no practical ability to reject the product where it is within contractually specified limits.

#### Sale of branded goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery of the product at the customers location. The normal credit term is 30-60 days upon delivery.

#### Contract packaging services

Revenue from the sale of contract packaging services is recognised at the point in time to which the customer obtains control of the goods, at the time of delivery/collection of the finished product. Goods manufactured under contract packaging are subject to 30 day terms with no further production being completed until the customer has settled.

Top Shelf considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of branded products, Top Shelf considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

#### Variable consideration

If the consideration promised includes a variable component, Top Shelf estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of branded products provide customers with rebates and discounts which give rise to variable consideration.

#### Rebates

Top Shelf provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

## Excise Duty

Top Shelf incurs excise duties which are effectively a production tax which becomes payable when the product is removed from bonded premises and is not directly related to the value of sales.

It is not included as a separate item on external invoices; increases in excise duty are not always passed on to the customer and where a customer fails to pay for products received Top Shelf cannot reclaim the excise duty. Top Shelf therefore recognises excise duty, unless it regards itself as an agent of the regulatory authorities, as a cost to Top Shelf and recognised as Cost of Sales in the statement of profit or loss.

## Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Government grants

Government grants are not recognised until there is reasonable assurance that Top Shelf will comply with the conditions pursuant to which they have been granted and that the grants will be received. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants in respect of property, plant and equipment are deducted from the asset that they relate to, reducing the depreciation expense charged to the statement of profit or loss.

## Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are generally due for settlement within 30 to 60 days from end of month.

Top Shelf has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The provision matrix is initially based on Top Shelf's historical observed default rates. Top Shelf will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Inventories

Inventory cost is measured at the weighted average purchase price of raw materials, net of trade rebates and discounts received, plus the costs incurred in bringing its inventory to its present condition and location including direct expenses, an appropriate proportion of production and other overheads, but not borrowing costs.

Maturing inventories which are retained for more than one year are classified as current assets, as they are expected to be realised in the normal operating cycle.

Inventory is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



## 10. Summary of Key Accounting Policies

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to allocate the cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	10 – 25 years
Plant and equipment – Other	4 – 30 years
Computer equipment	2 – 4 years
Office equipment	10 – 25 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

#### Plant and equipment – Production specific

In relation to production specific plant and equipment Top Shelf has adopted the policy to depreciate on a units of production method. This method is calculated by dividing the cost of the asset (less its salvage value) by the total units expected to produce over its useful life, multiplied by the actual units produced during the year. Top Shelf felt this was a more accurate representation of the equipment.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to Top Shelf. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where Top Shelf expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Top Shelf has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

## Intellectual property

Intellectual property relates to trade secrets such as the formation and development of the recipe. These costs are not subsequently amortised. Intellectual property is protected by trademarks, which are renewable indefinitely. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these assets. The nature of the beverage industry is that obsolescence is not a common issue, with indefinite lived intangible assets being commonplace.

Accordingly, the Directors believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes and are therefore not amortised.

## Trademarks

Significant costs associated with trademarks are capitalised as an asset. These costs are not subsequently amortised.

## Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

## Biological assets

The Group carries its biological assets (Agave Seeds, Bulbis, Plants) and Pina at the time of harvest (recorded in inventories immediately after harvest) at fair value less costs to sell. Any gains or losses on remeasuring fair value of biological assets are included within profit or loss. The Group has determined that its agave plants are mature when they can be commercially harvested, which normally takes approximately four years after planting.

## Impairment of tangible and intangible assets

All non-current tangible assets and indefinite-lived intangible assets that are not subject to amortisation are assessed for impairment at least on an annual basis, or whenever an indication of impairment arises. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is measured with reference to quoted market prices in an active market. Value in use represents the present value of the future amount expected to be recovered through the cash inflows and outflows arising from the asset's continued use and subsequent disposal.

Top Shelf recognises any reduction in the carrying value as an expense in the statement of profit or loss in the reporting period in which the impairment loss occurs.

Impairment losses are recognised in the statement of profit or loss in the reporting period when the carrying amount of the asset exceeds the recoverable amount.

## Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Top Shelf's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

## 10. Summary of Key Accounting Policies

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Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Provisions

Provisions are recognised when Top Shelf has a present (legal or constructive) obligation as a result of a past event, it is probable Top Shelf will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.



# 11.

## Glossary

## 11. Glossary

Defined term	Definition
<b>AAS</b>	Australian Accounting Standards
<b>AASB</b>	Australian Accounting Standards Board
<b>ABV</b>	Alcohol by volume, which is a standard measure of how much alcohol is contained in a given volume of an alcoholic beverage
<b>ALM</b>	Australian Liquor Merchants, a subsidiary of Metcash Limited that supplies independent liquor customers including the IBA network
<b>Applicant</b>	A person who submits an Application
<b>Application</b>	An application for Shares under this Prospectus
<b>Application Form</b>	The application form attached to or accompanying this Prospectus (including the electronic form), upon which Applicants may apply for Shares
<b>Application Monies</b>	The amount of monies accompanying an Application Form submitted by an Applicant
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691), or where the context requires, the Australian Securities Exchange, which it operates
<b>ASX Listing Rules</b>	The listing rules of ASX
<b>ASX Recommendations</b>	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
<b>ASX Settlement Operating Rules</b>	The settlement rules of ASX Settlement Pty Ltd (ABN 49 008 504 532)
<b>Award</b>	An Award under the Long Term Incentive Plan, as described in Section 6.3.4
<b>Board or Board of Directors</b>	The board of directors of the Company
<b>Broker</b>	Any ASX participating organisation appointed to act as a broker to the Offer
<b>Broker Firm Offer</b>	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States, as described in Section 7.3
<b>Business Day</b>	A day on which ASX is open for trading securities and banks are open for general banking business in Melbourne, Australia
<b>CAGR</b>	Compound annual growth rate
<b>CEO</b>	Chief Executive Officer
<b>CGT</b>	Capital gains tax
<b>Chairman</b>	The chairman of the Board
<b>CHESS</b>	ASX's Clearing House Electronic Subregister System
<b>Company or Top Shelf</b>	Top Shelf International Holdings Ltd (ACN 164 175 535)



Defined term	Definition
<b>Completion of the Offer or Completion</b>	Completion of the issue and transfer of Shares to Applicants pursuant to the Offer
<b>Constitution</b>	The constitution of the Company
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>CY</b>	Calendar year
<b>Director</b>	A director of the Company
<b>Disposal Period</b>	Has the meaning given in Section 7.6
<b>Eligible Person</b>	All permanent full-time and part-time employees of Top Shelf resident in Australia who are still employed by Top Shelf as at 5.00pm (Melbourne time) on the Prospectus Date and who remain employed (and have not given, or been given, a notice to terminate employment with Top Shelf) at Completion of the Offer, and all other persons who receive an invitation from the Company to participate in the Employee Gift Offer or Priority Offer (as applicable)
<b>Employee Gift Offer</b>	The gift of \$1,000 worth of Shares to Eligible Persons, as described in Section 7.4
<b>Escrowed Shareholder</b>	The Existing Shareholders subject to the mandatory and voluntary escrow arrangements described in Section 7.8
<b>Escrowed Shares</b>	Shares held by the Escrowed Shareholders that are subject to the mandatory or voluntary escrow terms (as applicable), as described in Section 7.8
<b>Exercise Conditions</b>	The Exercise Conditions in relation to Awards, as described in Section 6.3.4
<b>Existing Shareholders</b>	Shareholders holding Existing Shares immediately prior to Completion
<b>Existing Shares</b>	Shares on issue immediately prior to Completion
<b>Expiry Date</b>	The date that is 13 months after the Prospectus Date
<b>Exposure Period</b>	The seven day period after the Prospectus Date during which no Applications may be processed and which may be extended by ASIC for up to an additional seven days (i.e. up to a total of 14 days)
<b>FATA</b>	Foreign Acquisitions and Takeovers Act 1975 (Cth)
<b>Financial Information</b>	Has the meaning given in Section 4.1. Together, the: <ul style="list-style-type: none"> <li>• Historical Financial Information; and</li> <li>• Forecast Financial Information</li> </ul>
<b>Financing Facility</b>	The debt financing facility described in Section 4.4.3
<b>Forecast Financial Information</b>	Has the meaning given in Section 4.1. Together, the: <ul style="list-style-type: none"> <li>• Statutory Forecast Financial Information; and</li> <li>• Pro Forma Forecast Financial Information</li> </ul>
<b>FY18</b>	The financial year ended 30 June 2018
<b>FY19</b>	The financial year ended 30 June 2019



## 11. Glossary

Defined term	Definition
<b>FY20</b>	The financial year ended 30 June 2020
<b>FY21 or Forecast Period</b>	The financial year ending 30 June 2021
<b>Grainshaker</b>	Top Shelf's vodka brand
<b>Group or Group Member</b>	The Company and each of its subsidiaries
<b>GST</b>	Goods and services tax
<b>Historical Financial Information</b>	Has the meaning given in Section 4.1. Together, the: <ul style="list-style-type: none"> <li>• Statutory Historical Financial Information; and</li> <li>• Pro Forma Historical Financial Information</li> </ul>
<b>IASB</b>	International Accounting Standards Board
<b>IBA</b>	Independent Brands Australia, a network of retail outlets including Cellarbrations and IGA Liquor
<b>IFRS</b>	International Financial Reporting Standards, as issued by the International Accounting Standards Board
<b>Initial Option Offer</b>	Has the meaning given in Section 6.3.4.2
<b>Institutional Investors</b>	Investors who are persons: <ul style="list-style-type: none"> <li>• in Australia who are either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or</li> <li>• in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for any lodged or registered disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing in its discretion to comply), provided that in each case such investors are not in the United States</li> </ul>
<b>Institutional Offer</b>	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.7
<b>Independent Limited Assurance Report</b>	The report prepared by the Investigating Accountant, as set out in Section 8
<b>Investigating Accountant</b>	Ernst & Young Strategy and Transactions Limited (ABN 87 003 599 844)
<b>IPO</b>	The initial public offering of fully paid ordinary Shares in Top Shelf offered under this Prospectus that will either be issued by Top Shelf or sold by SaleCo
<b>Joint Lead Managers</b>	Ord Minnett Limited (ABN 86 002 733 048) and Wilsons Corporate Finance Limited (ABN 65 057 547 323)
<b>LAL</b>	Litres of alcohol, as defined for tax excise calculations
<b>Listing</b>	The admission of the Company to the Official List

Defined term	Definition
<b>Long Term Incentive Plan</b>	The long term incentive plan described in Section 6.3.4.1
<b>Long Term Incentive Plan Rules</b>	The long term incentive plan rules described in Section 6.3.4.1
<b>NED</b>	Top Shelf's whisky brand
<b>New Shares</b>	Shares issued by Top Shelf under the Offer
<b>Non-Executive Director Offer</b>	Has the meaning given in Section 6.3.4.3
<b>Non-Executive Director Options</b>	Has the meaning given in Section 6.3.4.3
<b>NED Restriction Period</b>	Has the meaning given in Section 6.3.4.3
<b>Non-Executive Director</b>	A member of the Board who does not form part of Top Shelf's senior management team
<b>NPAT</b>	Net profit/(loss) after tax
<b>Off-premise</b>	The purchase of alcohol at a retail outlet, which is not consumed at a licenced premise
<b>Offer</b>	The offer under this Prospectus of Shares for issue by the Company and of Shares for sale by SaleCo
<b>Offer Period</b>	The period during which the Broker Firm Offer, Employee Gift Offer and Priority Offer are open, being from 9.00am (Melbourne time) on 20 November 2020 to 5.00pm (Melbourne time) on 30 November 2020
<b>Offer Price</b>	\$2.21 per Share
<b>Official List</b>	The official list of entities that ASX has admitted and not removed from listing
<b>On-premise</b>	The consumption of alcohol in pubs, bars, restaurants and other public licenced venues
<b>Options</b>	Has the meaning given in Section 6.3.4.1
<b>Performance Rights</b>	Has the meaning given in Section 6.3.4.1
<b>PPO Cancellation</b>	Has the meaning given in Section 6.3.4.2
<b>Premium Priced Options</b>	Has the meaning given in Section 6.3.4.2
<b>premiumisation</b>	The trends of declining per capita alcohol consumption and consumers consuming lower quantities of alcohol overall but of higher quality and higher priced alcohol products, as described in Section 2.1.1.2
<b>Priority Offer</b>	The offer under this Prospectus to Eligible Persons to apply for Shares in the Offer at the Priority Offer Price as described in Section 7.5
<b>Priority Offer Application Form</b>	The application form attached to or accompanying this Prospectus (including the electronic form), upon which Applicants may apply for Shares under the Priority Offer

## 11. Glossary

Defined term	Definition
<b>Priority Offer Price</b>	\$1.88
<b>Prospectus</b>	This prospectus issued by the Company and SaleCo for the purposes of Chapter 6D of the Corporations Act (including the electronic form of this Prospectus) under which Shares are offered for subscription and purchase
<b>Prospectus Date</b>	The date on which this Prospectus was lodged with ASIC, being 12 November 2020
<b>Pro Forma Forecast Financial Information</b>	Has the meaning given in Section 4.1
<b>Pro Forma Historical Financial Information</b>	Has the meaning given in Section 4.1
<b>Resultant PPO Shares</b>	Has the meaning given in Section 6.3.4.2
<b>RTD</b>	A 'ready to drink' product, which is sold in prepared for and ready for consumption
<b>SaleCo</b>	Top Shelf SaleCo Ltd (ACN 645 072 126)
<b>Sale Shares</b>	Shares sold by SaleCo under the Offer
<b>SaleCo Director</b>	A director of SaleCo
<b>Selling Shareholders</b>	Those Existing Shareholders who have agreed to sell some of their Existing Shares to SaleCo prior to Listing
<b>Settlement</b>	The settlement of the Offer
<b>Share</b>	A fully paid ordinary share in the capital of the Company
<b>Share Registry</b>	Boardroom Pty Limited (ACN 003 209 836)
<b>Shareholder</b>	A holder of one or more Shares
<b>Start-up Options</b>	Has the meaning given in Section 6.3.4.2
<b>Statutory Forecast Financial Information</b>	Has the meaning given in Section 4.1
<b>Statutory Historical Financial Information</b>	Has the meaning given in Section 4.1
<b>TFN</b>	Tax file number
<b>Underwriting Agreement</b>	The underwriting agreement dated on the Prospectus Date between the Company, SaleCo and the Joint Lead Managers, as described in Section 9.5
<b>US Securities Act</b>	United States Securities Act of 1933, as amended
<b>Vesting Conditions</b>	Has the meaning given in Section 6.3.4.1

H	Contact telephone number (daytime/work/mobile)	Contact Name
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>
	E-mail Address	<input type="text"/>

## Declaration

By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ was/were given access to the Prospectus together with this Application Form and represent and warrant that the laws of any other place do not prohibit me/us from being given the Prospectus and any supplementary or replacement prospectus or making an application on this Application Form or being issued with or transferred Shares;
- ✓ have read and understood the Prospectus in full and that this Application is made subject to the terms and conditions set out in the Prospectus;
- ✓ have received or have access to a copy of the electronic Prospectus or a print out of it;
- ✓ have completed this Application Form in accordance with the instructions on this Application Form and in the Prospectus;
- ✓ represent and warrant that the Application Form and all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- ✓ represent and warrant that I/we have obtained an individual's consent to the transfer of their information to the Company, where I/we have been provided information about that individual;
- ✓ acknowledge that an Application to subscribe for Shares is irrevocable and may not be varied or withdrawn except as allowed by law ;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- ✓ acknowledge that if I am/ we are not issued any Shares or I am/ we are issued fewer Shares than the number that I/we applied and paid for as a result of a scale back, all or some of the Application Monies (as applicable) will be refunded to me/ us (without interest) in accordance with the Corporations Act as soon as practicable after the date Shares are issued;
- ✓ authorise the Company, SaleCo, the Joint Lead Managers and the Share Registry and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age (applicable to Applicants that are natural persons only);
- ✓ agree to be registered as the holder of Shares issued or transferred to me/us and to be bound by the constitution of the Company;
- ✓ acknowledge that the information contained in the Prospectus (or any supplementary or replacement prospectus) is not investment advice or a recommendation that Shares are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia.

## Guide to the Application Form

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A** If applying for Shares insert the **number** of Shares for which you wish to subscribe at Item **A**. The Application must be for a minimum of A\$2,000 worth of Shares.
- B** Insert the total amount payable. To calculate total amount payable, multiply the number of Shares applied for by the Offer Price of \$2.21.
- C** Write your **full name**. This must be either your own name or the name of a company. Up to 3 joint Applicants may apply. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. **CHES participants should complete their name identically to that presently registered in CHES.**
- D** Enter your **postal address** for all correspondence. All communications to you from the Company and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHES by a stockbroker or other CHES participant you may enter your CHES HIN if you would like the allocation to be directed to your HIN. Otherwise, leave this section blank and on issue, you will be sponsored by the Company and allocated a Securityholder Reference Number (**SRN**).
- F** Enter your Australian tax file number (**TFN**) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.
- G** Applicants pay their Application Monies to and lodge their Application Form with their Broker in accordance with the relevant Broker's directions. Please contact your Broker for further instructions.
- H** Enter your **contact details**, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies.

## Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

## Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to your Broker, and complete the Broker details below:

Broker Contact Number										Broker Name									

**The Broker Firm Offer opens on 20 November 2020 and is expected to close at 5:00pm (Melbourne Time) on 30 November 2020. The Company, SaleCo and the Joint Lead Managers may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date or time without further notice, subject to the Corporations Act and ASX Listing Rules. Your Broker may also impose an earlier closing date or time. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.**

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 (within Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only) and on +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (Melbourne time), Monday to Friday (Business Days only).**

## Privacy Statement

The Company advises that Chapter 2C of the Corporations Act requires information about its shareholders (including names, addresses and details of shares held) to be included in the Company's share register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and discloses your information please contact the Company at the address or telephone number shown in the Prospectus.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

H	Contact telephone number (daytime/work/mobile)	Contact Name
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/>
	E-mail Address	<input type="text"/>





# Corporate Directory

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## Company's registered office

### Top Shelf International Holdings Ltd

16 – 18 National Boulevard  
Campbellfield VIC 3061

## Joint Lead Managers and Underwriters

### Ord Minnett Limited

Level 8, NAB House  
255 George Street  
Sydney NSW 2000

### Wilson Corporate Finance Limited

Level 32, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

## Australian legal adviser

### Herbert Smith Freehills

Level 42, 101 Collins Street  
Melbourne VIC 3000

## Investigating Accountant

### Ernst & Young Strategy and Transactions Limited

8 Exhibition Street  
Melbourne VIC 3000

## Auditor

### Ernst & Young

8 Exhibition Street  
Melbourne VIC 3000

## Share registry

### Boardroom Pty Limited

Level 12, 225 George Street  
Sydney NSW 2000

**TOP SHELF**