

**Top Shelf International Holdings Ltd**  
**Appendix 4D**

**1. Company details**

Name of entity:	Top Shelf International Holdings Ltd
ABN:	22 164 175 535
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

**2. Results for announcement to the market**

Financial results	31 Dec 2023 (\$'000)	31 Dec 2022 (\$'000)	Mvmt (\$'000)	Up / (down) %
Revenue	15,227	14,701	525	3.6%
Gross profit				
Statutory	4,395	3,475	920	26.5%
Cash <sup>1</sup>	5,434	4,238	1,195	28.2%
Gross profit %				
Statutory	28.9%	23.6%	n/a	5.2%
Cash <sup>1</sup>	35.7%	28.8%	n/a	6.9%
EBITDA <sup>2</sup>				
Statutory	(6,090)	(9,815)	3,725	38.0%
Underlying	(4,948)	(11,237)	6,289	56.0%
Loss after income tax	(10,055)	(19,008)	8,953	47.10%

*Comments*

Refer to the Directors' report within the attached interim report of Top Shelf International Holdings Ltd for commentary on results for the half-year.

**3. Net tangible assets**

	31 December 2023	30 June 2023
	\$	\$
Net tangible assets per ordinary share	0.19	0.26

Net tangible assets include right of use assets and the corresponding lease liabilities. Intangibles and deferred tax assets have been excluded.

**4. Control gained over entities**

Not applicable.

**5. Loss of control over entities**

Not applicable.

<sup>1</sup> Gross profit % on a cash basis reflected depreciation (FY24 1H: \$0.7 million; FY23 1H: \$0.3 million) and whisky liquid cost (FY24 1H: \$0.4 million; FY23 1H: \$0.5 million) excluded from statutory COGS and calculated divided by revenue.

<sup>2</sup> A reconciliation of statutory EBITDA to underlying EBITDA has been set out in the Directors' Report accompanying this Appendix 4D.

**6. Dividends**

*Current Period*

There were no dividends paid, recommended, or declared during the current financial period.

*Previous Period*

There were no dividends paid, recommended, or declared during the current financial period.

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**7. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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**8. Attachments**

*Details of attachments (if any):*

The Interim Report of Top Shelf International Holdings Ltd for the half-year ended 31 December 2023 is attached.

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# **Top Shelf International Holdings Ltd**

**ABN 22 164 175 535**

## **Interim Financial Report - 31 December 2023**

**Top Shelf International Holdings Ltd**  
**31 December 2023**

**Contents**

Directors' report	1
Auditor's independence declaration	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Directors' declaration	18
Independent auditor's review report to the members of Top Shelf International Holdings Ltd	19

The directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Top Shelf') consisting of Top Shelf International Holdings Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

## **Directors**

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Julian Davidson – Non-Executive Chairman

Adem Karafili – Non-Executive Director

Peter Cudlipp – Non-Executive Director (resigned effective 27 October 2023)

Lynette Mayne – Non-Executive Director (resigned effective 31 July 2023)

Stephen Grove – Non-Executive Director (appointed effective 31 July 2023)

The Company announced the appointment of Phil Baldock as Non-Executive Director on 31 January 2024.

## **Review of operations**

Top Shelf is a Melbourne based distiller and marketer of premium Australian spirits, with distinctive brands in NED Australian Whisky, Grainshaker Australian Vodka and Act of Treason Australian Agave.

The Group has a track record of success creating high quality, premium Australian products and brands; each in its own way encapsulating a distinctive Aussie attitude, social experience and flavour profile.

The Group has established an integrated platform with expertise in the development and production of distilled spirits, and operates a modern fermentation, distillation, maturation and packaging facility in Campbellfield, Victoria.

The Group has created Australia's first agave spirit range from its agave agronomy operation in The Whitsundays region of Queensland with a dedicated on-farm agave distillery. The Group commenced agave harvest and production in December 2023 and announced the first release of Act of Treason Australian Agave product in January 2024.

In addition to distilling and manufacturing its own portfolio of spirit brands, Top Shelf also provides canning, bottling and packaging services from its Campbellfield facility.

## **Key business achievements**

The key business achievements of the Group during FY24 1H included:

- Top Shelf commissioned its onsite agave distillery in December 2023 enabling the commencement of plant harvest and production with the first release of the Group's Act of Treason Australian Agave product in January 2024. The completion of the agave distillery represents the final component of the Group integrated supply chain infrastructure and operating platform.
- Grainshaker Australian Vodka was awarded the IWSC Spirits Producer of the Year in London UK in October 2023. This prestigious award is due recognition of the talent and expertise of the Company's distilling team and is only the second time that an Australian brand has been awarded with this honour.
- The Group successfully onboarded Australia's largest national liquor retailer, Endeavour Group (Dan Murphy's and BWS) and expanded ranging with Coles Liquor Group (Liquorland, First Choice and Vintage Cellars).
- The Group enacted on the findings from the Company strategic review undertaken in May – June 2023 to pivot the business model to focus on margin enhancement, reducing the cost base of the business and moderating investment in Top Shelf's whisky, agave agronomy and production assets.
- Top Shelf completed an equity raise of \$30 million in August 2023 enabling a reduction in debt (\$10 million), completion of the agave distillery in The Whitsundays and execution of a business turnaround plan.

## **Financial Results**

### *Revenue*

In FY24 1H Top Shelf reported revenue of \$15.2 million (inclusive of branded product and contract packaging) representing an increase of \$0.5 million or 3.6% on the prior comparative period (FY23 1H).

On a pro forma basis<sup>3</sup>, the Group reported brand revenue of \$14.2 million, consistent with FY23 1H. The FY24 1H period reflected the onboarding of NED Australian Whisky with Endeavour Group, and the pivot of the brand business model to focus on margin improvement.

The Group reporting contract packaging revenue of \$4.6 million, reflecting growth of \$1.6 million or 56% relative to FY23 1H as the Group provided contract packaging services to primarily one multinational beverage customer during FY24 1H.

### *Gross margin*

The Group reported gross margin of \$4.4 million in FY24 1H, an increase of \$0.9 million or 26.5% on the prior comparative period.

Top Shelf's cash gross margin<sup>4</sup> of 35.7% in FY24 1H, an absolute increase of 6.9% relative to FY23 1H as the Group focused on brand margin improvement initiatives (inclusive of channel mix, product premiumisation, low margin SKU deletion and COGS improvements) and the contract packaging business focus on servicing one scale customer derived operating efficiencies at the Group's Campbellfield production facility.

### *Underlying EBITDA*

The Group reported an underlying EBITDA loss in FY24 1H of \$4.9 million relative to \$11.2 million in FY23 1H, an improvement of 56%.

Underlying EBITDA in FY24 1H reflected:

- the gross margin contribution of the Group;
- distribution cost improvement as Top Shelf optimised its logistics and distribution practices with preferred partners;
- a controllable cost base reduction of \$4.7 million or 30% relative to FY23 1H as the Group undertook proactive measures to reset the cost base to focus on core business activities. The cost base across all business functions was reduced by external vendor expenditure rationalisation and right sizing of the labour force; and
- the requisite expenditure for group support functions and operating as a publicly listed company.

### *Business cash flows*

The Group's business cash flows (inclusive of operating and investing cash flows) improved by \$6.6 million in FY24 1H to reflect net out flows of \$13.0 million in comparison to FY23 1H. Business cash flows exclusive of the non-recurring agave distillery build costs improved by 93% in FY24 1H to net out flows of \$9.5 million reflecting the benefit of improved margin, cost base contraction and moderation of the investment in the Group whisky, agave and production assets.

## **Financial position**

At 31 December 2023, the Group reported a net tangible asset position of \$39.7 million (net assets excluding intangible and deferred tax assets).

The net tangible asset position at 31 December 2023 included:

- Maturing whisky inventories: \$9.8 million (June 2023: \$9.5 million) (recognised at cost);
- Agave plant biological assets: \$20.0 million (June 2023: \$19.4 million) (recognised at fair value); and
- Property, plant and equipment: \$34.9 million (June 2023: \$32.4 million) (recognised at WDV).

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<sup>3</sup> The presentation of the Group's brand product revenue on a pro forma basis reflects the gross up of excise from sales to domestic retail and wholesale customers to disclose revenue consistently on a gross excise basis across all domestic channels (FY24 1H adjustment: \$3.5 million; FY23 1H adjustment: \$2.4 million).

<sup>4</sup> The Group defines cash gross margin as reported gross margin excluding direct depreciation and whisky liquid cost. The whisky liquid cost was incurred by the Group to produce whisky in prior periods and is not representative of a current period cash cost.

**Top Shelf International Holdings Ltd**  
**Directors' report**  
**31 December 2023**

The assets of the Group at 31 December 2023 on an economic basis are categorised by:

- Whisky inclusive the future realisation margin of whisky spirit inventory maturing at 31 December 2023, production and maturation assets (\$40 million);
- Agave inclusive of agave farmland, agave distillery facility assets and agave plant biological assets (\$32 million); and
- Packaging (canning and bottling) assets (\$12 million)

In the six month period ended 31 December 2023, the Group reduced the balance of its financing facility with Longreach Direct Lending Fund by \$10.0 million. At 31 December 2023, the Group's financing facility was drawn to \$25.0 million and the Group had a net debt position of \$22.3 million (June 2023: \$32.1 million).

As of 31 December 2023, the Group's available funding reserves were less than the minimum requirement of the financing facility agreement. The agreement requires the available funding reserves be greater than the sum of the Group's forecast 12-month losses before tax and cash flow from investing activities (excluding uncommitted and discretionary expenditure).

The reduction in the loan balance in the six month period ended 31 December 2023 has enabled the Company to commence a market process to refinance the financing facility agreement with Longreach Credit Investors. The Company is targeting to complete the refinancing process by 30 June 2024.

### **Non-IFRS financial information**

The Directors use certain measures to manage and report on Top Shelf that are not recognised under Australian Accounting Standards (AAS) or International Financial Reporting Standards (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. The non-IFRS measures should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

The principal non-IFRS financial measure that is referred to in this Directors' Report is EBITDA, which represents earnings or losses before net finance costs, income tax, depreciation and amortisation. The directors consider the additional information of EBITDA is relevant and useful in measuring the financial performance of the Group. Other non-IFRS measures referred to in this Directors' Report include the pro forma financial results.

The following table summarises key reconciling items between statutory loss after tax attributable to the Company and EBITDA:

	<b>31 Dec 2023 (\$'000)</b>	<b>31 Dec 2022 (\$'000)</b>
Loss after tax	(10,055)	(19,008)
Income tax expense / (benefit)	226	6,426
Finance costs	2,610	2,010
Earnings before interest & taxation (EBIT)	(7,218)	(10,572)
Depreciation & amortisation	1,128	757
<b>Earnings before interest, taxation and depreciation &amp; amortisation (EBITDA)</b>	<b>(6,090)</b>	<b>(9,815)</b>

**Top Shelf International Holdings Ltd**  
**Directors' report**  
**31 December 2023**

**EBITDA**

The following table reconciles reported EBITDA to underlying EBITDA for FY24 1H and the prior corresponding period, FY23 1H:

	<b>31 Dec 2023 (\$'000)</b>	<b>31 Dec 2022 (\$'000)</b>
<b>Reported</b>	<b>(6,090)</b>	<b>(9,815)</b>
Biological asset fair value gain	(78)	(3,084)
Share based payments	303	521
Whisky liquid cost	372	460
Non-recurring expenses <sup>5</sup>	545	680
<b>Underlying</b>	<b>(4,948)</b>	<b>(11,237)</b>

**Matters subsequent to the end of the financial period**

On 30 January 2024, the Group executed a non-binding term sheet with an entity related to non-executive director Stephen Grove for the sale and leaseback of the land and distillery assets at the Group's agave farm located at Eden Lassie in Queensland for a total purchase consideration of \$10.0 million.

The transaction is subject to certain conditions including satisfactory completion of due diligence, shareholder approval at an Extraordinary General Meeting, consent of the Group's debt provider, and other regulatory approvals. Subject to satisfaction of the above, transaction completion is expected to occur during April 2024.

**Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Julian Davidson  
Chairman

29 February 2024  
Melbourne

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<sup>5</sup> Non-recurring expenses include corporate project expenditure and non-recurring employee costs.



**DECLARATION OF INDEPENDENCE BY SALIM BISKRI TO THE DIRECTORS OF TOP SHELF  
INTERNATIONAL HOLDINGS LTD**

As lead auditor for the review of Top Shelf International Holdings Ltd for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Top Shelf International Holdings Ltd and the entities it controlled during the period.



**Salim Biskri**  
**Director**

**BDO Audit Pty Ltd**

Melbourne, 29 February 2024

## Top Shelf International Holdings Ltd

### Consolidated statement of profit or loss and other comprehensive income

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue from contracts with customers	6	15,227	14,701
Cost of sales			
Product cost of sales		(6,229)	(5,488)
Excise		(4,602)	(5,738)
Cost of sales – total	7	(10,831)	(11,226)
<b>Gross Profit</b>		<b>4,395</b>	<b>3,475</b>
Other income		42	220
Fair value gain on biological assets		78	3,084
Expenses			
Distribution		(332)	(586)
Selling		(1,907)	(2,892)
Marketing		(2,909)	(5,201)
Operating, general & administration		(5,821)	(7,695)
Share based payments		(303)	(521)
Depreciation & amortisation		(462)	(456)
Finance costs		(2,610)	(2,010)
<b>Loss before income tax expense</b>		<b>(9,828)</b>	<b>(12,582)</b>
Income tax expense		(226)	(6,426)
<b>Loss after income tax expense for the period attributable to the owners of Top Shelf International Holdings Ltd</b>		<b>(10,055)</b>	<b>(19,008)</b>
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the period attributable to the owners of Top Shelf International Holdings Ltd</b>		<b>(10,055)</b>	<b>(19,008)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	17	(5.16)	(26.55)
Diluted loss per share	17	(5.16)	(26.55)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Consolidated statement financial position

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,786	2,855
Trade and other receivables		6,072	3,958
Inventories	8	12,074	11,857
Biological assets	11	4,464	1,238
Other assets		617	624
Total current assets		26,013	20,531
<b>Non-current assets</b>			
Property, plant and equipment	9	34,881	32,355
Biological assets	11	15,526	18,182
Right-of-use assets		5,349	5,694
Intangible assets		2,518	2,330
Other assets		357	354
Total non-current assets		58,632	58,914
<b>Total assets</b>		<b>84,644</b>	<b>79,446</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		10,937	14,016
Borrowings	12	23,607	32,904
Lease liabilities		447	387
Provisions		745	854
Total current liabilities		35,736	48,161
<b>Non-current liabilities</b>			
Lease liabilities		6,311	6,550
Provisions		389	363
Deferred tax liabilities		2,104	1,698
Total non-current liabilities		8,804	8,611
<b>Total liabilities</b>		<b>44,540</b>	<b>56,772</b>
<b>Net assets</b>		<b>40,105</b>	<b>22,674</b>
<b>Equity</b>			
Issued capital	13	132,209	105,026
Reserves		3,434	3,131
Accumulated Losses		(95,538)	(85,483)
<b>Total Equity</b>		<b>40,105</b>	<b>22,674</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

	Issued capital	Reserves	Accumulated losses	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	95,569	2,136	(37,193)	60,512
Loss after income tax expense for the period	-	-	(19,008)	(19,008)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(19,008)	(19,008)
Transactions with owners in their capacity as owners:				
Contributions of equity	-	-	-	-
Share issue transaction costs (net of tax)	-	-	-	-
Share-based payments	-	521	-	521
Balance at 31 December 2022	<b>95,569</b>	<b>2,657</b>	<b>(56,201)</b>	<b>42,025</b>
Balance at 1 July 2023	105,026	3,131	(85,484)	22,673
Loss after income tax expense for the period	-	-	(10,055)	(10,055)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(10,055)	(10,055)
Transactions with owners in their capacity as owners:				
Contributions of equity	29,987	-	-	29,987
Share issue transaction costs (net of tax)	(2,804)	-	-	(2,804)
Share-based payments	-	303	-	303
Balance at 31 December 2023	<b>132,209</b>	<b>3,434</b>	<b>(95,539)</b>	<b>40,105</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

Consolidated statement of cash flows

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		17,439	17,987
Payments to suppliers and employees		(26,190)	(34,209)
Net cash used in operating activities		(8,750)	(16,222)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,581)	(2,556)
Payments for intangibles		(210)	(29)
Payments for biological assets		(492)	(833)
Payments for security deposits		(3)	-
Net cash used in investing activities		(4,286)	(3,418)
<b>Cash flows from Financing activities</b>			
(Repayment) / proceeds from borrowings - external	12	(10,000)	10,000
Borrowings transaction costs	12	-	(2,022)
Proceeds from issue of shares		27,218	-
Share issue transaction costs		(2,174)	-
Repayment of lease liabilities -buildings & equipment		(180)	(162)
Interest and other finance costs paid - borrowings		(1,525)	(1,427)
Interest and other finance costs paid - leases		(371)	(189)
Net cash from financing activities		12,968	6,200
Net decrease in cash and cash equivalents		(69)	(13,440)
Cash and cash equivalents at the beginning of the financial half-year period		2,855	20,129
Cash and cash equivalents at the end of the financial half-year period		<b>2,786</b>	<b>6,689</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

### Note 1. General information

The interim financial statements of Top Shelf International Holdings Ltd as a group consist of Top Shelf International Holdings Ltd ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to hereafter as the 'Group'). The interim financial statements are presented in Australian dollars, which is Top Shelf International Holdings Ltd.'s functional and presentation currency.

Top Shelf International Holdings Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. The Company listed on the Australian Securities Exchange ("ASX") on 10 December 2020.

A description of the nature of the Group's operations is included in the directors' report, which is not part of the financial statements.

### Note 2. Statement of compliance

These interim financial statements for the half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue, in accordance with a resolution of directors, on 29 February 2024.

### Note 3. Basis of preparation

The interim financial statements have been prepared on the basis of historical cost except for the revaluation of biological assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### *Going concern basis and solvency*

The interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities, realisation of assets and discharging of liabilities in the normal course of business.

#### *Risk factors*

For the half-year ended 31 December 2023, the Group incurred a loss before tax of \$9.8 million (31 December 2022: loss before tax \$12.6 million) and had net cash outflows from operating activities of \$8.8 million (31 December 2022: net cash outflows of \$16.2 million).

As of 28 February 2024, the Group had cash reserves of \$1.9 million and funds receivable of \$1.3 million from the retail entitlement offer of the Company's equity raise completed in August 2023.

The Group is subject to a financial covenant under the facility with its lender. We refer to Note 12 for further information on the covenant assessment.

These factors create a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### *Risk mitigation considerations*

The following mitigants have been considered:

- Funding available to the Group from existing cash reserves and equity raise retail entitlement offer receivable (as noted above).
- The Group's demonstrated margin, EBITDA and operating cash flow improvement in the six month period ended 31 December 2023 relative to comparative periods. The improvement reflected execution of the

Group's business turnaround plan in response to a strategic review completed in June 2023 inclusive of cost base reset and organisational restructure.

- Commissioning of the Group's agave distillery in December 2023 reflecting completion of the Group's operating platform and bringing to a close the capital intensive investment phase of the business. The Group's future capital expenditure commitments are significantly reduced in comparison to prior periods.
- The Group's undertaking of a \$10.0 million sale and leaseback transaction of the farmland and production assets of the Eden Lassie Australian Agave farm with a non binding term sheet executed by the Group on 30 January 2024. The transaction is subject to various approvals and expected to complete by the end of April 2024.
- The Group's refinancing process in progress as of the date of this report with executed non binding term sheets received by the Company from prospective lenders. The Group is aiming to complete the refinancing process by 30 June 2024 and extend the maturity by a minimum of 12 months beyond the Group's existing facility maturity of December 2024.
- The Group has historically demonstrated its ability to and has track record of successfully raising capital as and when required.
- The Group has agreed the commercial terms to execute the sale of up to \$1.6 million of its whisky reserves, which can be called upon if and as required by the Group.
- Should the Group be required to conserve cash, the Group can delay planned growth plans, release capital from operating assets and tailor the business to meet ongoing trading requirements and implement cash preservation measures.

With these mitigants considered, the directors remain confident that the Group will be able to meet its debts as and when they fall due for a period of 12 months from the date of signing this interim financial report. On this basis, the directors believe that it is appropriate to adopt the going concern basis in the preparation of this interim financial report.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This interim financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessarily incurred should the Group not continue as a going concern.

The principal accounting policies adopted are consistent in the preparation of this interim financial report are consistent with those adopted and disclosed in the Group's annual report for the year ended 30 June 2023.

Comparative figures are shown in the consolidated statement of financial position for 30 June 2023.

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

In preparing this interim report, the significant estimates and judgements applied in the Group's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 30 June 2023.

## Note 5. Operating segments

### *Identification of reportable operating segments*

The Group is organised into one operating segment as the Group operated only in Australia and one industry, as the producer of branded beverages and provision of contract packing services to third party beverage manufacturers. This is based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. Accordingly, and consistent with the consolidated financial statements for the year ended 30 June 2023, the information provided in this interim report reflects the one operating segment.

### *EBITDA*

Earnings before interest, taxation and depreciation & amortisation (EBITDA) is a financial measure monitored by the CODM, which is not prescribed by AAS or IFRS. The directors consider the additional information of EBITDA is relevant and useful in measuring the financial performance of the Group.

A reconciliation of EBITDA from loss after income tax is illustrated in the table below:

	31 Dec 2023 (\$'000)	31 Dec 2022 (\$'000)
Loss after tax	(10,055)	(19,008)
Income tax expense	226	6,426
Finance costs	2,610	2,010
Earnings before interest & taxation (EBIT)	(7,218)	(10,572)
Depreciation & amortisation	1,128	757
<b>EBITDA</b>	<b>(6,090)</b>	<b>(9,815)</b>

## Note 6. Revenue

### *Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<i>Major Revenue Stream</i>		
Branded (net of discounts and rebates)	10,653	11,762
Contract packaging	4,573	2,939
	<u>15,227</u>	<u>14,701</u>

Spirit beverage product manufactured in Australia is an excisable product payable when the product is removed from a bonded premise. The Group has customer arrangements wherein excise duty is incurred by the Group at the point of despatch of product to the customer or the excise duty obligation is transferred to the customer in an under bond arrangement. The mix of these customer arrangements influences the Group's recognition and presentation of branded revenue.

The presentation of branded revenue net of excise for the six month period ended 31 December 2023 and comparative period is as follows:

Branded revenue (net of discounts, rebates)	10,653	11,762
Excise (as recognised in COGS – refer note 7)	(4,602)	(5,738)
Branded revenue (net of excise)	<u>6,051</u>	<u>6,023</u>



**Note 7. Cost of sales**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw Materials	4,386	4,412
Excise	4,602	5,738
Direct Labour	875	543
Manufacturing Overhead	968	533
	<u>10,831</u>	<u>11,226</u>

**Note 8. Inventories**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>30 Jun 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Raw Materials and consumables	1,382	1,371
Intermediate Inventories	-	120
Finished Goods	2,352	2,479
Maturing Inventories	9,814	9,482
Provision for Stock Obsolescence	(837)	(1,082)
Provision for Angel Share	(638)	(514)
	<u>12,074</u>	<u>11,857</u>

**Note 9. Property, Plant and Equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>30 Jun 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current Assets</i>		
Property, Plant and Equipment	<u>34,881</u>	<u>32,355</u>
<i>Reconciliation</i>		

A reconciliation of the Property, Plant and Equipment balance at the beginning and end of the current half-year period is set out below:

	<b>\$'000</b>
Balance at 1 July 2023	32,355
Additions	3,505
Depreciation during the half year ended 31 December 2023	<u>(978)</u>
Balance at 31 December 2023	<u>34,881</u>

**Note 10. Impairment testing**

At 31 December 2023, the Group has undertaken impairment testing in relation to its Brand and Agave CGU's on a consistent basis with the methodology adopted at 30 June 2023.

The recoverable amount of the cash generating unit is determined by a value-in-use calculation using a discounted cash flow model, based on a 12 month budget approved by the Board and management and extrapolated for a further four years using steady growth rates, risk based discount rates and a terminal value. The following are the key assumptions applied in calculating the recoverable amount:

## Top Shelf International Holdings Ltd

	Brands	Agave
Discount rate	13%	13%
Terminal value Growth	3%	3%

The discount rates reflect management's estimate of the time value of money and weighted average cost of capital adjusted for the Group, the risk free rate and the volatility of the share price relative to market movements (30 June 2023 discount rate: 13.0%)

Terminal value growth rate represent the growth rate applied to extrapolate the cash flows beyond the five-year forecast period (FY23: 4%). These growth rates are based on the Group's expectation of the sustainable growth at maturity.

The directors have made judgements and estimates in respect of impairment testing of property, plant & equipment and intangible assets. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

The CGU whose impairment testing headroom is most sensitive to assumptions around future revenue growth, margin and discount rate is Brands:

- At a discount rate of 13%, an impairment would be triggered when there is a decrease of 4% or more in FY28 and the terminal year EBITDA margin, with all other assumptions remaining constant.
- The discount rate (post-tax) would be required to increase to over 18.0% before an impairment is triggered, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the Brands CGU's the property, plant & equipment and intangible assets is based on would not cause the CGU's carrying amount to exceed its recoverable amount.

The value in use estimate for the Agave CGU's exceeds the carrying value of the CGUs by a significant amount. It is therefore not considered particularly sensitive to the variances in inputs in this CGU.

### Note 11. Biological assets

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current Assets</i>		
Agave plants - at fair value	4,464	1,238
<i>Non current Assets</i>		
Agave plants - at fair value	15,526	18,182

The Group has determined the fair value less costs to sell of the 740,000 plants as at 31 December 2023 (30 June 2023: 766,000) with reference to the following assumptions:

- an in-ground growing cycle of 4.0 years from planting date with the pina weight of a harvested plant of 36.0 kilograms;
- anticipated farm operating and plant harvesting costs
- farmgate price of MXP15 (AUD\$1.30) per agave kilogram
- discount rate pre-tax of 13.0% (FY23: 13.0%)

Agave plants growing in the ground or nursery are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition at the end of each reporting period at fair value less costs to sell. Changes in the fair value of growing plants are recognised in the profit or loss. Costs related to growing the plants and harvesting are capitalised into the carrying value in the statement of financial position. At the time of harvest, agave plants (pina) are measured at fair value less costs to sell and reclassified to inventories.

*Valuation techniques and significant unobservable inputs*

Type	Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Harvested own grown inventory  Agave pina	The agave pina is harvested by extracting the agave plant and removal of leaf and root matter	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the agave plants in ground per quarter from FY24 Q3 to FY29 Q4.	Inclusive of: <ul style="list-style-type: none"> <li>Estimated future selling price of agave pina per kg</li> <li>Estimated plant size and pina yield</li> <li>Estimated farm and harvesting costs</li> </ul>	An increase/(decrease) of the farmgate price by +/- MXP0.5 (AUD\$0.05) with a discount rate (pre-tax) of 13% would increase/(decrease) the fair value of the biological assets by AUD \$0.8 million.

**Note 12. Borrowings**

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current Liabilities</i>		
Loan from Longreach Direct Lending Fund - interest bearing	25,000	35,000
Capitalised borrowing costs	(1,393)	(2,096)
	<u>23,607</u>	<u>32,904</u>

**Financing Facility with Longreach Direct Lending Fund**

The Company's financing facility agreement with Longreach Credit Investors was drawn to \$25.0 million at 31 December 2023. The facility interest rate is 10.25% (reducing to 8.25% should the Group market capitalisation exceed \$75.0 million) and the maturity date of the facility is 15 December 2024.

As of 31 December 2023, the Group's available cash reserves were less than the minimum requirement of the financing facility agreement. The agreement requires the available funding reserves be greater than the sum of the Group's forecast 12-month losses before tax and cash flow from investing activities (excluding uncommitted and discretionary expenditure). Consequently, the Group was in breach of the minimum cash reserve covenant. The breach contractually entitled the Longreach Credit Investors to request for immediate repayment of the outstanding loan amount at 31 December 2023.

The reduction in the loan balance during the six month period ended 31 December 2023 has enabled the Company to commence a market process to refinance the existing financing facility agreement with Longreach Credit Investors. The Company is targeting to complete the refinancing process by 30 June 2024.

**Note 13. Issued capital**

	Consolidated			
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	207,475,861	84,169,533	140,012	110,025
Share issue transaction costs, net of tax	-	-	(7,803)	(4,999)
	<u>207,475,861</u>	<u>84,169,533</u>	<u>132,209</u>	<u>105,026</u>

**Note 14. Dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Note 15. Contingent liabilities

The Group has given bank guarantees as at 31 December 2023 of \$300,000 (30 June 2023: \$300,000) to various landlords.

The Group had outstanding commitments with trading partners recognised in the ordinary course of the business of \$310,400 at 31 December 2023 (30 June 2023: \$437,000).

## Note 16. Related party transactions

### *Parent entity*

Top Shelf International Holdings Ltd is the parent entity.

### *Transactions with related parties*

During the half year ended 31 December 2023, the Group engaged Grove Racing Pty Ltd a related party of Non-Executive Director, Stephen Grove, in relation to the sponsorship of Grove Racing Pty Ltd by the Group. The Group incurred costs of \$200,000 (excluding GST) in respect of this arrangement.

### *Receivable from related parties*

There were no trade receivables from related parties at the current and previous reporting date.

### *Loans to/from and payables to related parties*

During the half year ended 31 December 2023, there were no loans or payables with related parties.

### *Terms and conditions*

All loan transactions were made on normal commercial terms and conditions and at market rates.

## Note 17. Earnings per share

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of Top Shelf International Holdings Ltd	(10,055)	(19,008)
Weighted average number of ordinary shares used in calculating basic loss per share	194,757,157	71,590,547
Weighted average number of ordinary shares used in calculating diluted loss per share*	194,757,157	71,590,547
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(5.16)	(26.55)
Diluted loss per share	(5.16)	(26.55)

\* Options are excluded from the above calculation as their inclusion would be anti-dilutive

**Note 18. Events after the reporting period**

On 30 January 2024, the Group executed a non-binding term sheet with an entity related to non-executive director Stephen Grove for the sale and leaseback of the land and distillery assets at the Group's agave farm located at Eden Lassie in Queensland for a total purchase consideration of \$10.0 million.

Other key terms include:

- 10 year term with five year option;
- lease cost of \$1.0 million per annum (representing a 10% yield); and
- ability for the Company to re-buyback at a future date for \$12.0 million

The key benefits to the Company and its shareholders include:

- retained ownership of the biological assets (agave plants) meaning no change to expected gross margin profile;
- retain full operational control and responsibility over the farm and distillery; and
- allow for potential further reductions of the debt facility from proceeds.

The transaction is subject to certain conditions including satisfactory completion of due diligence, shareholder approval at an Extraordinary General Meeting, consent of the Group's debt provider, and other regulatory approvals. Subject to satisfaction of the above, transaction completion is expected to occur during April 2024.

## Top Shelf International Holdings Ltd

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there is material uncertainty as to whether the Group will be able to pay its debts as and when they become due and payable. Refer to Note 3 for further details.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Julian Davidson  
Chairman

29 February 2024  
Melbourne

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Top Shelf International Holdings Ltd

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Top Shelf International Holdings Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**Responsibility of the directors for the financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

The image shows a handwritten signature in blue ink. Above the signature, the letters 'BDO' are written in a similar blue ink. The signature itself is stylized and appears to read 'Biskri'.

**Salim Biskri**  
**Director**

Melbourne, 29 February 2024