

Appendix 4E

Preliminary final report

1. Company details

Name of entity:	Top Shelf International Holdings Ltd
ABN:	22 164 175 535
Reporting period:	For the year ended 30 June 2023 ("FY23")
Previous period:	For the year ended 30 June 2022 ("FY22")

2. Results for announcement to the market

\$'000	FY23	FY22	Mvmt	Mvmt %
Revenue	27,547	20,215	7,332	36.3%
Gross profit				
Statutory	6,080	5,462	618	11.3%
Cash ¹	7,583	6,227	1,356	21.8%
Gross profit %				
Cash ¹	27.5%	30.8%	(3.3)%	n/a
Net excise ²	44.3%	43.4%	0.9%	n/a
EBITDA ³				
Statutory	(27,539)	(17,987)	(9,553)	(53.1)%
Underlying	(20,150)	(19,873)	(277)	(1.4)%
Loss after income tax	(48,291)	(16,438)	(31,853)	(193.8)%

¹ Gross profit % on a cash basis reflects depreciation (FY23: \$0.8 million; FY22: \$0.4 million) and whisky liquid cost (FY23: \$0.7 million; FY22: \$0.4 million) excluded from statutory COGS and calculated divided by revenue.

² Gross profit % on a net excise basis is calculated dividing gross margin by revenue net of excise.

³ A reconciliation of statutory EBITDA to underlying EBITDA has been set out in the Directors' Report accompanying this Appendix 4E.

3. Net tangible assets

\$	30 June 2023	30 June 2022
Net tangible assets per ordinary security	0.26	0.64

Net tangible assets include right of use assets and the corresponding lease liabilities. Intangible and deferred tax assets have been excluded from the net tangible assets per ordinary share calculation.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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 previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements of Top Shelf International Holdings Ltd for the year ended 30 June 2023 have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The annual report of Top Shelf International Holdings Ltd for the year ended 30 June 2023 is attached.

12. Signed

Authorised for release by the board of directors of Top Shelf International Holdings Ltd.



Top Shelf International Holdings Ltd

ABN 22 164 175 535

Annual Report - 30 June 2023

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30 June 2023

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Corporate directory
30 June 2023

Directors	<p>Adem Karafili – Executive Chairman ¹</p> <p>Drew Fairchild - Chief Executive Officer (resigned effective 21 April 2023)</p> <p>Peter Cudlipp – Non-Executive Director</p> <p>Michael East – Non-Executive Director (resigned effective 10 May 2023)</p> <p>Lynette Mayne – Non-Executive Director (resigned effective 31 July 2023)</p> <p>Julian Davidson – Non-Executive Director (appointed effective 24 April 2023) ¹</p> <p>Stephen Grove – Non-Executive Director (appointed effective 31 July 2023)</p> <p><small>¹ The Company announced on 31 July 2023 that Adem Karafili would step down as Chairman to become an Executive Director. Julian Davidson assumed the Chair responsibilities on an interim basis.</small></p>
Company secretary	Carlie Hodges
Registered office	<p>16-18 National Boulevard</p> <p>Campbellfield VIC 3061</p> <p>Telephone: +61 3 8317 9990</p>
Share register	<p>Boardroom Pty Limited</p> <p>Level 12</p> <p>225 George Street</p> <p>Sydney, NSW 2000</p> <p>Telephone: +61 2 9290 9600</p>
Auditor	<p>BDO Audit Pty Ltd</p> <p>Collins Square, Tower Four</p> <p>Level 18, 727 Collins Street</p> <p>Melbourne VIC 3008</p>
Securities exchange listing	Top Shelf International Holdings Ltd shares are listed on the Australian Securities Exchange (ASX)
Website	topshelfgroup.com.au
Business objectives	<p>Top Shelf International is a Melbourne based distiller and marketer of premium Australian spirits, with distinctive brands in NED Australian Whisky and Grainshaker Hand Made Australian Vodka.</p> <p>The Company is creating Australia's first agave spirit range from its magnificent Agave farm in The Whitsundays region of Queensland. This location has been specifically chosen for its climatic suitability for growing Agave tequilana (Blue agave).</p> <p>In addition to distilling and manufacturing its own portfolio of spirit brands, Top Shelf also provides canning, bottling and packaging services to a range of customers.</p>
Corporate governance statement	https://www.topshelfgroup.com.au/investors

Directors' report

30 June 2023

The directors present their report, together with the 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 year ended 30 June 2023.

Directors

The following persons were directors of the Company during the financial year ended 30 June 2023 and up to the date of this report, unless otherwise stated:

Adem Karafili	Executive Chairman ¹
Drew Fairchild	Chief Executive Officer (resigned effective 21 April 2023)
Peter Cudlipp	Non-Executive Director
Michael East	Non-Executive Director (resigned effective 10 May 2023)
Lynette Mayne	Non-Executive Director (resigned effective 31 July 2023)
Julian Davidson	Non-Executive Director (appointed effective 24 April 2023) ¹
Stephen Grove	Non-Executive Director (appointed effective 31 July 2023)

¹ The Company announced on 31 July 2023 that Adem Karafili would step down as Chairman to become an Executive Director. Julian Davidson assumed the Chair responsibilities on an interim basis.

1. Principal activities

During the financial year the principal activities of the Group have included:

- the production, marketing and selling of NED Australian Whisky and Grainshaker Hand Made Vodka spirit products;
- the continued investment in whisky production and maturation;
- continued development of an Australian agave spirit farm in The Whitsundays region of Queensland, the largest single agave estate outside of Mexico;
- development of a dedicated on-farm agave distillery facility to become Australia's first producer of an agave spirit range; and
- the provision of contract packaging services.

2. Operating and Financial Review

Top Shelf International is a Melbourne based distiller and marketer of premium Australian spirits. 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 is participating in the world's largest and fastest growing spirit categories. Its domestic and international ambitions are backed by an enviable asset base and a portfolio of premium brands, NED Whisky, Grainshaker Vodka and Act of Treason Australian Agave, that are distinctively Australian in style and personality, and which are growing by a multiple against their respective category competitors.

The Group has expertise in the development and production of distilled spirits and operates a modern fermentation, distillation and packaging facility in Campbellfield, Victoria.

The Group is also creating Australia's first agave spirit range from its magnificent Agave spirit farm in The Whitsundays region of Queensland, the largest single agave estate outside of Mexico. This location has been specifically chosen for its climatic suitability for growing Agave tequilana (Blue agave). The farm is being developed using the most up-to-date and innovative agronomy and horticultural practices.

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

2.1 Key operational outcomes

The key operational outcomes of the Group during FY23 included:

Retail ranging and distribution

The Group continued to develop and grow its domestic sales channels for the Top Shelf brand portfolio during FY23, notably with Coles Liquor Group (Liquorland, First Choice and Vintage Cellars), independent retailers and on premise (inclusive of festivals and outdoor events). Ranging of NED Australian Whisky and Grainshaker Vodka with Coles Liquor Group commenced in late FY22.

The close of FY23 was highlighted by announcements by Top Shelf of expanded ranging with Coles Liquor Group and the initial ranging of NED Australian Whisky with Endeavour Group (Dan Murphy's and BWS).

Investment

The Group has been in an intensive investment phase in the capital platform of the business in recent financial periods, and the expected completion of the agave distillery project in FY24 marks the completion of the platform.

Brand: Investment in building brand awareness and engagement with end consumers through major sponsorship, media advertising and product development (FY23: \$5.7 million; FY22: \$4.0 million). As the Group's brand portfolio evolves, Top Shelf expects to adapt brand investment, reducing brand launch sponsorship expenditure and pivoting to a focus on tactical sales support.

Whisky: Investment in production of new make whisky and oak maturation assets (FY23: \$2.0 million; FY22: \$3.7 million). The maturity curve of Top Shelf's whisky reserves provided stable access to harvest mature whisky from March 2022 and has enabled the Group to moderate the investment during FY23.

Agave: Investment in agronomy activities and agave distillery project (FY23: \$7.0 million; FY22: \$4.0 million). The Group is anticipating completion of the agave distillery project in the September quarter of FY24.

Recognition

During the year, Top Shelf's Grainshaker Australian Vodka was recognised as the equal third-highest rated vodka in the world at the International Wine and Spirits Competition in London and won an outstanding gold award.

Grainshaker Vodka also received a gold at the 2023 World Spirits Competition, San Francisco and a gold at the 2023 World Vodka Awards being testament to the skill and capability of the Company's distilling team.

Production operations

During the March quarter of FY23, Top Shelf commenced contract packaging services for a multinational beverage producer in accordance with a two year arrangement. The arrangement is recognition of the capability and quality of Top Shelf's operating platform with the associated volume throughput increasing the operating efficiency and asset utilisation of Top Shelf's Campbellfield production site.

Leadership change and strategic review

In April 2023, Trent Fraser, who joined the Group as President of Agave and International in September 2021, replaced Drew Fairchild as the Group's Chief Executive Officer. The strategic review of business operations executed during the fourth quarter of FY23 lead to changes in the strategic direction of the Group, inclusive of the acceleration of the pivot from capital investment to disciplined brand and sales execution business model and implementation of cost base savings of \$7.5 million on an annualised basis.

Capital and debt

In August 2022, the Group secured an extension of its existing financing facility with Longreach Credit Investors providing Top Shelf with funding of \$10.0 million and in March 2023, the Group completed a \$10.0 million capital raise to help fund the Group's development of an agave distillery at Eden Lassie in The Whitsundays region of Queensland, and support ongoing operations.

Subsequent to financial year end, the Group completed a \$30.0 million capital raise to fund the completion of the agave distillery projection and ongoing investment in Top Shelf's brand portfolio, and to retire debt. As of the date of this report, the Group had repaid \$5.0 million of debt principal.

2.2 Financial Performance

Revenue and gross margin

In FY23, the Group recognised revenue of \$27.5 million, an increase of \$7.3 million or 36% on the prior comparative period.

Branded product revenue increased by \$7.7 million or 62% in FY23 to \$20.0 million. In FY23 branded product revenue reflected:

- national ranging with Coles Liquor Group (Liquorland, First Choice and Vintage Cellars) of NED Whisky and Grainshaker Vodka products;
- the availability of mature whisky to harvest for the entirety of FY23 relative to supply challenges in FY22 supported all sales in channels in particular Independent retail;
- strong demand for branded products, particularly Grainshaker Vodka, from the on premise and summer festivals and outdoor event channels.

Contract packaging revenue marginally declined in FY23 by 4.4% to \$7.5 million relative to the prior comparative period. During the second half of FY23, Top Shelf transitioned from servicing a portfolio of customers to one multinational beverage company. The transition has significantly increased the utilisation of the Group's contract packaging capability improving the operating efficiency of the site.

The Group's gross margin on a cash basis reflected an increase of \$1.4 million to \$7.6 million in FY23 relative to FY22. Gross margin as a percentage of net excise revenue was 44.3% in FY23 relative to 43.4% in FY22. The Group is focused on continued margin improvement beyond FY23 through premiumisation, price increase strategies, product mix and COGS reduction initiatives of the Top Shelf business and anticipated margin improvement from the new contract packaging business model.

Underlying EBITDA

The Group recorded an underlying EBITDA loss of \$20.2 million in FY23 relative to \$19.9 million in FY22.

In FY23, the underlying EBITDA reflected:

- gross margin contribution (\$7.6 million) less distribution costs (\$1.0 million); and
- brand and business investment expenditure (\$6.6 million) incorporating marquee brand building sponsorships and development of the Act of Treason Australian Agave brand;
- selling and general marketing activities (\$7.0 million). The Group is continuing to evaluate the optimisation of its sales structure and associated costs;
- operating activities (\$5.6 million). The Group has reviewed its warehousing, inventory management practices and inventory holding levels in late FY23 with the expectation of reducing associated costs in FY24; and
- group support and listed company costs (\$7.9 million). The Group implemented a number of initiatives in late FY23 to reduce the indirect function cost base of the Group inclusive of a reduction in headcount and discontinuation of external vendor services.

A reconciliation from underlying to statutory EBITDA is set out overleaf.

Financial position

The Group's net tangible asset position (net assets excluding intangibles and deferred tax assets) was \$22.0 million at 30 June 2023 (30 June 2021: \$45.7 million).

The net tangible asset position at 30 June 2023 included:

- whisky assets: brewhouse and distillery, maturation assets and maturing and finished good whisky inventories (\$21.0 million) (inclusive of inventories recognised at cost value);
- agave assets: farmland, distillery (under construction) and agave plant biological assets (\$28.0 million); and
- other production assets: canning and bottling, and supporting infrastructure assets (\$11.8 million).

The Group's net debt position at 30 June 2023 was \$32.1 million (30 June 2022: \$4.9 million). With the \$30.0 million capital raise completed subsequent to year end considered, the Group's net debt position at 30 June 2023 on a pro forma basis was \$4.6 million.

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.

The following table summarises key reconciling items between statutory loss after tax and EBITDA:

\$'000	FY23	FY22
Loss after tax	(48,291)	(16,438)
Income tax	14,450	(5,273)
Net finance costs	4,586	2,570
Earnings before interest & taxation (EBIT)	(29,255)	(19,141)
Depreciation & amortisation ¹	1,716	1,154
Earnings before interest, taxation and depreciation & amortisation (EBITDA)	(27,539)	(17,987)

¹ In FY23 \$0.8m of total depreciation & amortisation is recognised in cost of sales in the Consolidated Statement of Profit or Loss (FY22: \$0.4m).

Underlying EBITDA referred to in this Directors' Report have been calculated to exclude certain items described below. This has been done to more clearly represent the underlying financial results noting that this financial information has not been prepared in accordance with AAS or reviewed in accordance with Australian Accounting Standards.

EBITDA

The following table reconciles underlying EBITDA to reported EBITDA for FY23 and the previous corresponding period, FY22:

\$'000	FY23	FY22
Reported	(27,539)	(17,987)
Biological asset fair value gain	(2,277)	(6,305)
Share based payments	995	443
Whisky liquid cost	747	404
Asset write-downs	5,630	2,552
Non-recurring expenses	2,293	1,020
Underlying	(20,150)	(19,873)

The adjustment applied to statutory EBITDA to derive underlying EBITDA reflect the exclusion of:

- Biological asset fair value gain and share based payments, as a non cash items, have been excluding from underlying performance of the Group;
- Whisky liquid cost has been excluded from COGS to present gross margin and EBITDA on a cash like basis;
- In FY23 the Group recognised asset write-down charges in relation to:
 - unrecoverable trade receivables;

- inventories impaired in relation to the transition of the contract packaging business to a preferred customer model and brand business obsolete packaging and expired finished product; and
- discontinued use of specifically identified plant and equipment;
- reversal of deferred tax assets relating to tax losses.
- In FY23, the Group recognised costs in relation to employee terminations and non recurring corporate projects.

2.3 Material Business Risks

The below sets out key risks that may have an impact on the Group's ability to execute its business strategies and future growth realisation, and how the Group seeks to manage these risks.

Material Business Risk	Details of Risk	Mitigation strategies in place
Brand positioning	Risk of failing to reach realisation of benefits from brand, sales and marketing strategies, initiatives, and campaigns. The Group expects that the costs of developing its existing Ned Whisky and Grainshaker Vodka brands and upcoming Agave brand, and associated marketing strategies, initiatives and campaigns will continue to increase as Top Shelf's business and product range grow.	<ul style="list-style-type: none"> • Strategic investment in brand portfolio and product rationalisation and analysis. • Continued monitoring and analysis of consumer trend and sentiment.
Customer relationships	Risk of losing a key customer or customer support more generally. Key customer relationships may be lost or impaired, if customers experience any dissatisfaction with products or services or end consumers fail to purchase products. The loss of any key customers, or a significant reduction in volume may adversely impact operating or financial performance.	<ul style="list-style-type: none"> • Continued investment in sales and marketing capability to manage customer relationships and new product investment to engage with existing and perspective customers.
Safety and quality standards and other legal and regulatory requirements	The Group must comply with a range of laws and regulations including liquor licensing, beverage standards and product content requirements, labelling and packaging, biosecurity, fair trading and consumer protection, employment, health and safety, property, climate and environment, customs and tariffs and direct and indirect taxation and excise duties. Failure to comply may result in a monetary fine or other penalty (such as loss of liquor or manufacturing licences) adverse publicity or a loss in consumer confidence.	<ul style="list-style-type: none"> • Companywide policies, standards, and procedures. • Consultation with experts on provision of health, safety, environment, and quality services. • Ongoing relationships and engagement with key government, industry, and regulatory bodies.
Supply chain risks	The quantity and quality of products may be adversely affected by supply chain disruptions or changes. Availability and price of key ingredients used may be influenced by global demand and supply factors.	<ul style="list-style-type: none"> • Continued focus on logistics and procurement initiatives. • Strategic planning of demand requirements. • Relationship management with key suppliers.
Business interruption	The equipment and management systems necessary for the operation of manufacturing facilities may break down, 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	<ul style="list-style-type: none"> • Comprehensive repairs and maintenance program. • Comprehensive insurance program.
Inability to access funding	The Group is currently loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations. The Group may seek to raise additional debt finance or new equity in the future to continue to grow its business.	<ul style="list-style-type: none"> • Strong capital management and cost control program. • Dedicated investor relations strategy to engage with capital stakeholders to facilitate

	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 the Group from being able to raise the relevant debt or equity.	access to additional capital, if and when required.
Attract and retain key management personnel	The successful operation of the Group 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	<ul style="list-style-type: none"> • Employee safety focus. • Mentoring and provision of growth opportunities to employees. • Reward and Incentive programs aligned with key business measures and growth vision.
Climate risks	The Group is exposed to both physical and transitional climate risks, particularly in relation to the Agave plantation. The physical impacts of climate change include more frequent extreme weather events, but importantly for our business, the long-term risks arising from changes in climate patterns such as increased temperature and water security. Transitional risks include challenges posed by climate change and move to a lower carbon economy.	<ul style="list-style-type: none"> • Increasingly align climate disclosures with recommendations of the TCFD and recently released IISB Standards. • Design a climate risk model.

3. Dividends

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

4. Significant changes in the state of affairs

The Group announced the extension of its debt facility agreement with Longreach Credit Investors in August 2022 and completed a capital raise in February 2023. The aggregate gross proceeds from the facility agreement extension and capital raise of \$20.0 million has enabled the Group to continue with the development of Australia's first agave distillery in Queensland and fund the ongoing strategy of acceleration and growth of Top Shelf's brand portfolio.

At 30 June 2023, the Group had cash reserves of \$2.9 million (30 June 2022: \$20.9 million). The cash reserve balance at 30 June 2023 resulted in a breach of the minimum cash reserve covenant stipulated in the Group's financing facility with Longreach Credit Investors. The capital raise completed subsequent to 30 June 2023 has enabled the Group to be compliant with the minimum cash reserve covenant as of the date of this report.

There were no other significant changes in the state of affairs of the Group during the financial year.

5. Matters subsequent to the end of the financial year

In May 2023, the Group announced the intention to undertake a capital raise as an accelerated non-renounceable entitlement offer and conditional placement to reduce debt and provide funding for the Group's next phase of growth. The Group received shareholder approval for the conditional placement on 7 July 2023 enabling the institutional entitlement offer and conditional placement to complete on 10 July 2023. The Group announced the completion of the retail entitlement offer on 4 August 2023. The capital raise, at a price of \$0.25 per share, totalled gross proceeds of \$30.0 million. Transaction costs are expected to be approximately \$2.5 million.

As of the date of this report, the Group had repaid facility principal of \$5.0 million to its debt provider, Longreach Credit Investors, with an outstanding principal balance of \$30.0 million.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

6. Likely developments and expected results of operations

The information on likely developments and expected results of operations have been disclosed as part of the review of operations.

7. Environmental regulation

The Group is subject to a significant environmental regulation under State law, primarily a waste treatment agreement with the Yarra Valley Water pursuant to which the Group can only dispose of waste water with a pH value of between 6-10 and temperature less than 40 degrees Celsius. At the Eden Lassie farm, the Group is subject to a range of environmental regulations under State law, primarily the Environmental Protection Act 1994 and the Water Act 2000. The Group is in compliance with these regulations.

8. Information on directors

Name:	Adem Karafili
Title:	Executive Chairman (Executive Director from 31 July 2023)
Experience and expertise:	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. Adem currently chairs his investment vehicle ANGL Korp. Adem is a CPA, having studied a Bachelor of Business Administration (B.B.A.) – Accounting
Other current listed directorships:	The Hydration Pharmaceuticals Company Limited (Non-Executive Director)
Former directorships (last three years):	-
Special responsibilities:	Executive Director
Interest in shares ¹ :	3,622,906 ordinary shares (held indirectly)
Interest in options and rights:	1,500,046 options or rights over ordinary shares

Name:	Drew Fairchild
Title:	Former Chief Executive Officer (resigned effective 21 April 2023)
Experience and expertise:	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 holds a Bachelor of Business, Master of Applied Finance, and is a graduate of the Group Business Leadership Program
Former directorships (last three years):	-
Special responsibilities:	Formerly as Chief Executive Officer
Interest in shares ¹ :	2,415,870 ordinary shares (held indirectly)
Interest in options and rights:	1,285,227 options or rights over ordinary shares

Name:	Peter Cudlipp
Title:	Non-Executive Director
Experience and expertise:	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.
Other current listed directorships:	-
Former directorships (last three years):	-
Special responsibilities:	-

Interest in shares ¹ :	636,725 ordinary shares (held indirectly)
Interest in options and rights:	228,984 options or rights over ordinary shares

Name:	Michael East
Title:	Former Non-Executive Director (resigned effective 10 May 2023)
Experience and expertise:	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.
Former directorships (last three years):	-
Special responsibilities:	Formerly as Nomination and Remuneration Committee chair
Interest in shares ¹ :	224,549 ordinary shares (held indirectly)
Interest in options and rights:	55,272 options or rights over ordinary shares

Name:	Lynette Mayne
Title:	Former Non-Executive Director (resigned effective 31 July 2023)
Experience and expertise:	Lynette is an experienced international Chair, Director and CEO. Currently Executive Chair of Richard Branson's B Team Australasia, having created The Climate Leaders, B Well and AI Coalitions. Lynette is a former CEO at Lendlease and has held senior executive positions for major companies in New York City.
Other current listed directorships:	-
Former directorships (last three years):	-
Special responsibilities:	-
Interest in shares ¹ :	-
Interest in options and rights:	-

Name:	Julian Davidson
Title:	Non-Executive Director (appointed effective 24 April 2022) (Interim Chairman from 31 July 2023)
Experience and expertise:	Julian is a Chartered Accountant with a PMD from Harvard Business School, and senior liquor industry expert with more than 30 years' experience in leadership roles in Australia, New Zealand and North America. Julian's experience includes over 15 years with Lion (Kirin) holding senior finance roles with Swan Brewery, Pepsi-Cola Bottlers and Lion Australia, and as managing director with Tooheys Brewery and Lion in New Zealand. After Lion, Julian held senior management roles with Independent Liquor during ownership periods of private equity firm, Pacific Equity Partners, and subsequently, Asahi.
Other current listed directorships:	-
Former directorships (last three years):	-
Special responsibilities:	Interim Chairman Audit and Risk Committee chair, Nomination and Remuneration Committee chair
Interest in shares ¹ :	-
Interest in options and rights:	-

Name:	Stephen Grove
Title:	Non-Executive Director (appointed effective 31 July 2023)

Experience and expertise:	Stephen is the founder and executive chairman of Grove Group, commencing over 20 years ago with the supply of relocatable buildings to the manufacturing and construction industries, and currently has over 400 employees across five locations in Australia. The Grove Group also has businesses in food & beverage, property development, motorsport and private investment sectors. Stephen is also a non-executive director of ASX company, Boom Logistics Ltd.
Other current listed directorships:	-
Former directorships (last three years):	-
Special responsibilities:	-
Interest in shares ¹ :	8,314,003
Interest in options and rights:	-

¹ Interest in shares at either 30 June 2023 or the date that a director ceased directorship of the Company during FY23 (Drew Fairchild: 21 April 2023; Michael East: 10 May 2023).

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

9. Company secretary

Name:	Carlie Hodges
Title:	Company secretary
Experience and expertise:	Carlie is an Executive Director at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies in Australia. In addition, she is a Senior Associate at Coghlan Duffy & Co. Carlie is also the Company Secretary of The Hydration Pharmaceuticals Company Limited. Carlie holds a Bachelor of Science and Bachelor of Laws from Deakin University, a Master of Arts in Medical Ethics and Law from King's College London, a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia and is admitted as a solicitor in the state of Victoria.

10. Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

Board meetings

Director	Attended	Held
Adem Karafili	17	17
Drew Fairchild	14	14
Peter Cudlipp	16	17
Michael East	16	16
Lynette Mayne	15	17
Julian Davidson	3	3

Audit and Risk Committee meetings

Director	Attended	Held
Adem Karafili	7	7
Peter Cudlipp	7	7
Michael East	6	6

Lynette Mayne	7	7
Julian Davidson	1	1

Remuneration and Nomination Committee meetings

Director	Attended	Held
Michael East	6	6
Peter Cudlipp	7	7
Lynette Mayne	7	7
Julian Davidson	2	2

Held: represents the number of meetings held during the time the director held office.

11. Loans to directors and executives

There were no loans to directors and executives as at 30 June 2023.

12. Shares under option or right

Unissued ordinary shares of Top Shelf International Holdings Ltd under option or right at the date of this report are summarised in note 37 of this report.

13. Shares issued on the exercise of options

During the financial year, applicable non-executive directors exercised zero priced options issued at the date of the Company's initial public offering in December 2020. The zero priced options were issued to the non-executive directors in lieu of cash payment of director fees for the financial year ended 30 June 2021.

14. Indemnity and insurance of officers and Auditor

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

15. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

16. Non-audit services

The following non-audit services were provided by related entities of the Company's auditor, BDO Audit Pty Ltd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Services Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance services	32,000
Total	32,000

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd or its related entities.

17. 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.

18. 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.

Letter from the Chairman

Dear shareholders,

On behalf of the Board, I am pleased to present Top Shelf's FY23 Remuneration Report.

During the financial year ended 30 June 2023, the Company performed a review of its remuneration framework for key executives with the assistance of external advice. As the Company continues to evolve and mature, it is important that best practice remuneration structures are implemented to retain top talent, incentivise key executive and senior personnel performance and to align their interests with shareholders. The new remuneration structures adopted by the Company during FY23 are reflected in this Report.

Notwithstanding the implementation of new remuneration structures during FY23, and the achievement of 62% branded revenue growth (statutory basis) and multiple strategic milestones, the current financial year has been challenging in many respects for the Company, with performance falling short against internal expectations. In response, the Directors have executed a number of organisational and operational changes to address this under performance. The Directors believe the remuneration of key executives as set out in this Report is appropriately reflective of current year performance whilst continuing to focus key executives on the realisation of the long term value creation objectives of the Company.

In acknowledging these challenges, on behalf of the non-executive directors of the Board, I would like to recognise the vision for Top Shelf set out by co-founder and former Director and Chief Executive Officer, Drew Fairchild, and also thank the Top Shelf team for their ongoing dedication, passion and hard work during FY23.

The Board's objective moving forward is to establish a performance based culture, fully aligning expectations of Shareholders, the Board, Senior Leadership and in fact all Top Shelf employees, with remuneration and rewards integrally linked to delivery against these expectations.

A handwritten signature in black ink, appearing to read 'Julian Davidson'.

Julian Davidson
Chairman

Remuneration report (audited)

The directors present the Company's FY23 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The report has been prepared and audited against the disclosure requirements of the Corporations Act 2001 (Cth).

1. Key Management Personnel ("KMP")

Key management personnel (KMP) are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Company. For FY23, our KMP are:

Executive Directors	Position	Term
Adem Karafili	Executive Chairman	Full year
Drew Fairchild ¹	Chief Executive Officer	Resigned effective 21 April 2023

Executive Management	Position	Term
Trent Fraser ²	Chief Executive Officer	Full year

Non-Executive Directors (NEDs)	Position	Term
Peter Cudlipp	Non-executive Director	Full year
Michael East ³	Non-executive Director	Resigned effective 10 May 2023
Lynette Mayne	Non-executive Director	Full year
Julian Davidson ⁴	Non-executive Director	Appointed effective 24 April 2023

¹ Drew Fairchild resigned as Executive Director and Chief Executive Officer on 21 April 2023 and was considered to be KMP until that date.

² Trent Fraser is considered KMP for the full year in his capacity as Agave and International President until transition to Chief Executive Officer from 21 April 2023.

³ Michael East resigned as Non-executive director on 10 May 2023 and was considered to be KMP until that date.

⁴ Julian Davidson was appointed to the Board of the Company as a Non-executive director on 28 April 2023, and is considered to be KMP from that point in time.

2. Remuneration at a glance

2.1 Our remuneration philosophy

Our remuneration philosophy is reflective of our core purpose, which is to promote, celebrate and enjoy our distinctive Australian way of life, for both our shareholders and our people.

We have made a number of changes to key management roles during FY23 to help further our ambition of becoming a globally relevant premium spirits brand business with an Australian accent. Our remuneration framework is key to continuing to attract, retain and motivate our people, and has three key elements: fixed remuneration, short-term incentives and long-term incentives. Refer section 2.2.

Our remuneration framework is simple, and focused on rewarding high performance and leveraging value to an executive where our share price increases over time. We chose this framework to reflect our ambitions for growth, but also our desire to strongly align Executive KMP outcomes to our new and existing shareholders' experience.

2.2 Remuneration principles

The following chart outlines the remuneration principles agreed by the Board and the Remuneration & Nominations Committee, which have guided our remuneration structure for FY23:

Our Strategic Objectives...

Premium Brand Portfolio

A premium portfolio of successful spirit brands with an Australian accent

Market Position

Achieving #1 market position of Australian sourced spirit products in whisky, vodka and agave, with an initial focus on Australia

Brand Access

Delivering high levels of psychological (brand salience and distinctive market assets) and physical availability (channel access) of its brands in its target markets

...which translate into our Remuneration Principles

Recognition for where we've come from

We seek to recognise the contribution of key staff for their hard work in getting Top Shelf to where it is today and incentivise retention and performance in future periods.

Attract and retain the 'right' talent

We seek to attract the right talent for our business - individuals who think outside the box - and our remuneration framework should reflect that.

Aligning our pay to the outcomes of our shareholders

Incentivise our talented people for meeting our Premium Brand Portfolio, Market Position and Brand Access strategic objectives, in a way which also reflects our shareholder experience

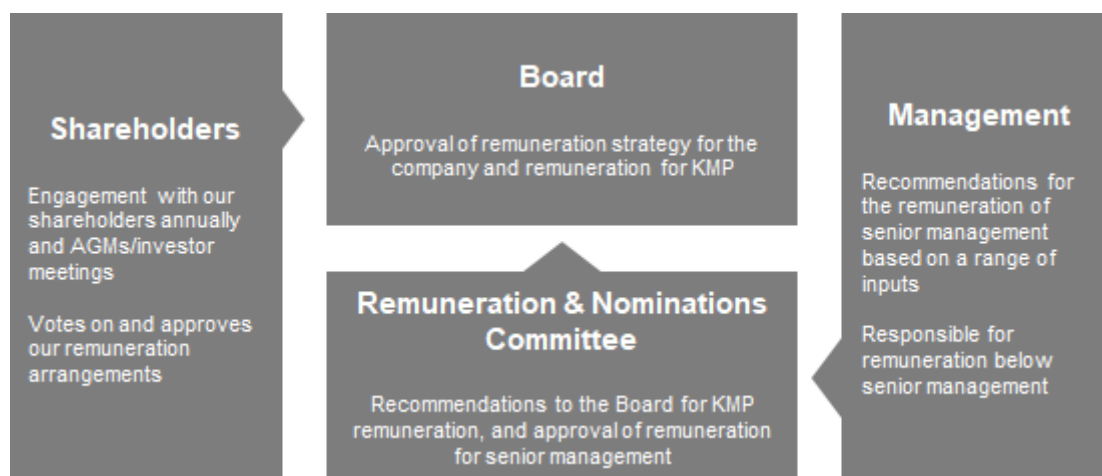
2.3 Remuneration framework

The executive remuneration framework is comprised of three key components, representing both fixed and variable reward at Top Shelf. The purpose, link to performance, and delivery mechanism, is summarised below. Refer section 4 for further detail.

Element of reward	Purpose	Link to performance	Delivery
Fixed remuneration , which reflects base salary, superannuation at the prevailing rate, and employee benefits	<ul style="list-style-type: none"> Set at a level to attract and retain top talent to Top Shelf Takes account of the strategic value of the role, individual responsibilities and experience. 	N/A	Cash, superannuation and motor vehicle allowance
Short term incentive , which reflects an award for contribution to Company performance in the current period.	<ul style="list-style-type: none"> Rewards executives for contributing to the performance of the Company during the current period, considered in relation to financial and non-financial targets. 	For FY23, the STI rewards key measures of performance: <ul style="list-style-type: none"> Group financial performance Business performance objectives (strategy, team engagement and operational targets) 	Performance rights
Long term incentive , which is an award of performance rights that recognise past performance, and reward for future sustained growth in the business	<ul style="list-style-type: none"> Rewards executives for contributing to the achievement of key growth targets (share price and business growth objectives), and provides value to the participant for sustainable long-term growth aligned to shareholder value creation. 	For FY23, the LTI rewards key measures of performance: <ul style="list-style-type: none"> Share price growth over three years Advancement of Australian Agave Development of Top Shelf brands in International markets 	Performance rights

3. Remuneration governance

The chart below outlines the role of each key role in the setting and assessing of remuneration at Top Shelf:



Role of the Board and Remuneration and Nomination Committee

Amongst other responsibilities, the Remuneration and Nomination Committee makes recommendations to the Board regarding:

- The remuneration strategy, policies and outcomes applicable to the Chief Executive Officer and Executive Chairman, as well as other members of the Board.
- On the recommendation of the Chief Executive Officer, reviews and recommends the remuneration strategy, policies and outcomes of the other members of the senior management team at Top Shelf.

The Committee reviews and determines the remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the remuneration principles. In particular, the Committee seeks to confirm that remuneration practices are:

- Encouraging and sustaining a culture aligned with the Company's values;
- Supporting the Company's strategic objectives and long-term financial soundness; and
- Aligned with the Company's risk management framework and risk appetite.

Use of independent remuneration consultants

The Committee engaged Godfrey Remuneration Group to provide external advice for remuneration recommendations in relation to Executive KMP during FY23. The consideration paid/payable for the remuneration recommendations was \$71,000 in the form of cash. The Board is satisfied that the remuneration recommendations are free from undue influence by members of KMP as the consulting firm engaged is independent.

Minimum shareholding requirements

The Company has not set minimum shareholding requirements for Executive or Non-Executive Director KMP. All members of KMP will progressively build up their shareholdings in Top Shelf over a period of time, and in the view of the Board, it is not yet appropriate to mandate a minimum holding.

Dealing in Securities Policy

Top Shelf has put in place a policy with regards to trading in Top Shelf securities ("Securities Dealing Policy"). The policy prohibits all employees and connected persons from dealing in the Company's securities if they are aware of confidential information that is price sensitive, or the Company has notified the employee that they must not deal in securities (whether for a specified period, until further notice is provided by the Company). A copy of the policy can be found on our website.

4. Executive KMP remuneration components

4.1 Service agreements

The following table outlines the summary terms of employment for the Executive KMP for FY23:

Terms	Adem Karafili - Executive Chairman
Appointment date	Non-executive Director and Chairman: 1 April 2018; Executive Chairman: 19 October 2020 – 31 July 2023. Executive Director: 1 August 2023 – present.
Fixed remuneration	Adem is entitled to receive annual total fixed remuneration of \$386,000 (inclusive of base salary, superannuation and motor vehicle allowance).
Service retention incentive	Adem received service retention rights in FY23 in recognition of the disparity between Adem's total remuneration package and a typical total remuneration package as seen in market over the previous two financial years.
Short term incentive	Adem is eligible to participate in the Short-Term Incentive Plan, at 40% of annual total fixed remuneration.
Long term incentive	Adem is eligible to participate in the Long-Term Incentive Plan, at 40% of annual total fixed remuneration.
Contract duration	On 31 July 2023, Top Shelf announced the intention for Adem to transition to a non-executive director role. This is expected to occur prior to the 2023 annual general meeting.
Notice period and termination	Employment may be terminated by either party upon giving six 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 the employment contract immediately without payment in lieu of notice.
Post-employment restraint period	Following termination of employment, Adem 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 standard legal requirements.

Terms	Drew Fairchild – Former Chief Executive Officer
Appointment date	Co-founder: 1 June 2017; Chief Executive Officer: 1 September 2020 - resigned effective 21 April 2023.
Fixed remuneration	Drew was entitled to receive annual total fixed remuneration of \$487,400 (inclusive of base salary, superannuation and motor vehicle allowance).
Service retention incentive	Drew received service retention rights in FY23 in recognition of the disparity between Drew's total remuneration package and a typical total remuneration package as seen in market over the previous two financial years.
Short term incentive	Drew was eligible to participate in the Short-Term Incentive Plan, at 40% of annual total fixed remuneration.
Long term incentive	Drew was eligible to participate in the Long-Term Incentive Plan, at 40% of annual total fixed remuneration.
Post-employment restraint period	Drew is 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 standard legal requirements.

Terms	Trent Fraser – Chief Executive Officer
Appointment date	President – Agave and International: 1 May 2022; Chief Executive Officer: 21 April 2023 – present.
Fixed remuneration	Trent is entitled to receive annual total fixed remuneration of \$441,300 (inclusive of base salary, superannuation and motor vehicle allowance).
Service retention incentive	Trent is eligible to receive service retention rights on an annual basis.
Short term incentive	Trent is eligible to participate in the Short-Term Incentive Plan, at 40% of annual total fixed remuneration.
Long term incentive	Trent is eligible to participate in the Long-Term Incentive Plan, at 40% of annual total fixed remuneration.
Contract duration	Open ended.

Notice period and termination	Employment may be terminated by either party upon giving six 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 the employment contract immediately without payment in lieu of notice.
Post-employment restraint period	Following termination of employment, each executive 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 standard legal requirements.

4.2 Fixed Remuneration

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits, as well as superannuation. The Company performed a review of fixed remuneration of key executives during FY23 with advice received from an independent external advisor that included benchmarking against market data for comparable roles in companies in similar industries and of a similar size and complexity.

Superannuation is included in fixed remuneration at the prevailing rate (FY23: 10.5% per annum).

4.3 Retention incentive

The Company introduced a retention incentive in FY23.

In relation to Adem Karafili, Executive Chairman, the purpose of the retention incentive in recognition of the disparity between actual total remuneration package and a typical total remuneration package as seen in market over the previous two financial years.

The retention incentive offered to Trent Fraser, Chief Executive Officer, reflected the desire of the Board to retain and incentivise key talent.

	Adem Karafili - Executive Chairman	Trent Fraser – Chief Executive Officer
Service retention rights	118,991	411,019
Vesting period	1 July 2022 to 30 June 2023	1 July 2022 to 30 June 2024: 133,241 rights ¹ 1 July 2022 to 30 June 2025: 277,778 rights
Term	15 years	15 years
Exercise price	\$nil	\$nil
Malus and clawback	At the Board's discretion, awards of performance rights will lapse in the event of serious misconduct, misstatement of results, or any act that brings the company into disrepute, amongst other trigger events.	

¹ Service retention rights awarded to Trent Fraser upon commencement of Chief Executive Officer in April 2023 will be granted during FY24.

4.4 Short-term incentive

The Company introduced a short term incentive plan (STIP) for FY23 (the "FY23 STIP Offer").

The purpose of the FY23 STIP Offer is to reward executives for performance achieved in FY23.

	Adem Karafili - Executive Chairman	Trent Fraser – Chief Executive Officer
Award opportunity	40% of annual total fixed remuneration or \$154,000.	40% of annual total fixed remuneration or \$176,500.
STIP features – for all Executive KMP ¹		
Performance measure one and weighting	Group financial performance (Revenue, margin and EBITDA targets) – 30%	

Performance measure two and weighting	Business performance goals (Strategy, team engagement, operational targets) – 50%
Performance measure three and weighting	Individual contribution (Targets agreed with the Board) – 20%
Measurement period	FY23 (1 July 2022 – 30 June 2023)
Form of settlement	Performance rights
Board discretion	The Board retains the overarching discretion to determine the outcomes of the FY23 STIP Offer to protect against perverse outcomes.

¹ Drew Fairchild, former Chief Executive Officer, was provided with an STIP offer for FY23 with features consistent with those offered to Adem Karafili and Trent Fraser. The offer was in effect forfeited with Drew's resignation from the Company effective 21 April 2023.

4.5 Long-term incentive

The Company granted performance rights to Executive KMP under the terms of the Long-Term Incentive Plan (LTIP) for FY23 (the "FY23 LTIP Offer").

The purpose of the FY23 LTIP Offer is to reward executives for performance commenced in FY23 and measured over a three year period to 30 June 2025, aligning their interests with the interests of Shareholders.

The Board strongly believes that the combination of shareholder return and business objective targets over a three year period is sufficiently challenging and that any award that ultimately vests will have seen considerable shareholder wealth generation.

	Adem Karafili - Executive Chairman	Drew Fairchild – Former Chief Executive Officer	Trent Fraser – Chief Executive Officer														
Performance rights	142,963	180,370	245,178														
LTIP features – for all Executive KMP																	
Measurement period	1 July 2022 to 30 June 2025																
Tranche One – Absolute total shareholder return (aTSR) Weighting – 50%	<div>Absolute total shareholder return, calculated as the percentage growth in share price over the Measurement period.</div> <div>Vesting scale:</div> <table><thead><tr><th>aTSR over Measurement period</th><th>% of grant vesting</th></tr></thead><tbody><tr><td>18%</td><td>100%</td></tr><tr><td>>15% - < 18%</td><td>Pro-rata</td></tr><tr><td>15%</td><td>50%</td></tr><tr><td>>10% - < 15%</td><td>Pro-rata</td></tr><tr><td>10%</td><td>25%</td></tr><tr><td>< 10%</td><td>nil%</td></tr></tbody></table>			aTSR over Measurement period	% of grant vesting	18%	100%	>15% - < 18%	Pro-rata	15%	50%	>10% - < 15%	Pro-rata	10%	25%	< 10%	nil%
aTSR over Measurement period	% of grant vesting																
18%	100%																
>15% - < 18%	Pro-rata																
15%	50%																
>10% - < 15%	Pro-rata																
10%	25%																
< 10%	nil%																
Tranche Two – Business objective - Agave Weighting – 25%	Business objective: the development of agronomy, production, marketing and sales capability to successfully bring Australian Agave to market. Tranche Two is binary and is either achieved or not achieved at the end of the measurement period in the opinion of the Board.																
Tranche Three – Business objective - International Weighting – 25%	Business objective: the development of business processes to enable viable marketing and sales of TSI brands in International markets. Tranche Three is binary and is either achieved or not achieved at the end of the measurement period in the opinion of the Board.																
Term	15 years																
Exercise price	\$nil																

Board discretion	The Board retains the overarching discretion to determine the vesting outcomes of the FY23 LTIP Offer to protect against perverse outcomes.
Forfeiture and termination	The performance rights will lapse if performance conditions are not met. Unvested performance rights will be forfeited on cessation of employment unless the Board determines otherwise, e.g. the participant is determined to be a 'good' leaver for reasons of death, disability or redundancy. Vested performance rights will be retained.
Malus and clawback	At the Board's discretion, awards of performance rights will lapse in the event of serious misconduct, misstatement of results, or any act that brings the company into disrepute, amongst other trigger events.

5. Company performance

5.1 Statutory key performance indicators

The table below shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001. As the Group is still within its pre-profit growth phase, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Performance element (\$'000)	2023	2022	2021	2020	2019
Revenue	27,547	20,215	19,161	7,679	2,163
Gross profit	6,080	5,463	4,667	1,803	598
EBIT	(29,255)	(19,141)	(11,096)	(4,680)	(1,639)
Share price at year end	0.19	1.08	1.76	n/a	n/a
Dividend (cents)	Nil	Nil	Nil	Nil	Nil
Basic loss per share (\$)	0.64	0.26	0.25	0.16	0.12

No dividend was payable to shareholders in FY23.

5.2 Discussion of key business outcomes

In FY23, the Company continued to advance its stated objective of building a modern Australian spirits company with a world-class premium spirits portfolio. This was evidenced in the growth of branded product revenue and the respective expanded and initial ranging with major retailers, Coles Liquor Group and Endeavour Group announced in FY23. The Company is nearing completion of its capital platform with finalisation of the agave distillery and market launch of the Act of Treason Australian Agave brand, and altered its contract packaging business model during FY23 to primarily serve one multinational beverage company.

The numerous awards and peer recognition of the Top Shelf brand portfolio, in particular Grainshaker Vodka, during FY23 is a testament to the skill and capability within the Company.

Notwithstanding the economic headwinds caused by successive increases to the Australian spirits excise regime and supply chain inflation pressure, the financial performance of the Company did not meet the expectations of the Board and shareholders during FY23.

With the appointment of Trent Fraser as Chief Executive Officer in April 2023 and the undertaking of a strategic review the Company has sought to address these short comings with a focus on customer, margin improvement, cash preservation and cost reduction initiatives.

The capital raise commenced in May 2023 as an alternative to the proposed sale & leaseback transaction of the Company's agave assets has enabled the Company to recapitalise and retire debt subsequent to 30 June 2023.

Short-term incentive outcomes

In consideration of the key business outcomes above, the Directors have concluded that the performance measures of the STIP Offer to Adem Karafili and Trent Fraser were not achieved.

Furthermore, on a discretionary basis and with advice from Godrey Remuneration Group, the Directors have considered the respective contributions of Adem Karafili and Trent Fraser to the Company in FY23, in particular in the period subsequent to the resignation of former Chief Executive Officer Drew Fairchild in April 2023. Adem Karafili was instrumental in the successful planning and execution of the capital raise, the results of which were ultimately realised in July 2023. Trent Fraser, having been appointed Chief Executive Officer in April 2023, has led the strategic review inclusive of cost base reset and organisation structure redesign, in addition to providing support to the capital raise process. As a newly appointed Chief Executive Officer, the June quarter expectations of Trent and performance delivery against those expectations were considered by Directors to be firstly fundamentally different from his original FY23 STIP Offer performance measures, and, secondly, to warrant recognition.

On this basis, the Directors have awarded Adem Karafili with 31% his FY23 STIP Offer (subject to shareholder approval), and have awarded Trent Fraser with 25% of his FY23 STIP Offer, aligning to a change in role for the last quarter of the year. The STIP Offer awarded to Adem Karafili and Trent Fraser will be in the form of performance rights, recognising the overall need to reward performance whilst conserving cash. The rights have been awarded adopting a reference share price of \$0.25, aligned with the recent capital raise. The rights have no vesting conditions and on this basis are exercisable immediately. The accounting cost of the FY23 STIP Offer will be recognised in FY24.

Long-term incentive outcomes

The measurement period of the FY23 LTIP Offer remains open until 30 June 2025.

6. Non-executive directors' remuneration

6.1 Policy and structure

Non-executive directors receive a board fee for their services as a Director of the company, and for chairing or participating on board committees, see table 6.2 below. They do not receive performance-based pay or retirement allowances. Annual Non-executive directors' fees are \$60,000 (excluding superannuation) including any Committee membership.

Commencing 31 July 2023, annual fees for the role of Chairman of the Board of Directors will be \$160,000 (excluding superannuation). For the period commencing 1 July 2023, fees for the Chairman role of the Audit & Risk Committee and the Remuneration & Nomination Committee, will be \$10,000 (excluding superannuation) respectively. Should the sub-committees be chaired by the Chairman of the Board of Directors, no incremental remuneration will be paid to the Chairman.

Fees may be reviewed from time to time by the board taking into account comparable roles and market data. The current base fees for Non-Executive Directors were set with effect from 1 July 2020.

Under the Company's Constitution, the Board decides the total amount paid to each Non-executive director as remuneration for his or her services as a Director to the Company. 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 a general meeting of shareholders. This amount has been fixed by the Company at \$350,000 per annum.

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.

6.2 Board and committee fees

FY23 board fee element (annual)	Member (\$)
Board	60,000
Audit & Risk Committee	-
Remuneration & Nomination Committee	-

7. KMP statutory remuneration tables

7.1 Statutory KMP remuneration table

The following table shows details of the remuneration expense recognised for the group's executive and non-executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

FY23

	Short term benefits				Post-employment benefits	Equity-settled share-based payments	Total benefits and payments	% of total remuneration that is performance based
	Base Salary Fees (\$)	Non-monetary benefits (\$) ⁵	Annual leave (\$)	STI (\$) ⁶	Superannuation (\$)	Long-term incentive (\$)	Total remuneration	
Executive Directors								
Adem Karafili ¹	316,526	28,995	14,028	-	34,708	195,319	589,574	33%
Drew Fairchild ²	547,115	29,607	197,777	-	58,643	216,710	1,049,851	21%
Chief Executive Officer								
Trent Fraser	372,199	39,524	-	-	39,107	179,528	630,089	28%
Non-Executive Directors								
Peter Cudlipp	60,000	29,524	-	-	6,300	2,094	97,918	2%
Michael East ³	55,000	-	-	-	5,775	1,605	62,380	3%
Lynette Mayne	60,000	-	-	-	6,300	-	66,300	-%
Julian Davidson ⁴	-	-	-	-	-	-	-	-%

¹ Adem Karafili's responsibilities with the Company increased from four days per week in FY22 to five days per week in FY23 and is reflected in Adem's remuneration accordingly.

² Drew Fairchild resigned from the Company effective 21 April 2023. A final payment in lieu of a notice period (\$234,000) and inclusive of annual leave entitlement (\$186,000) was made by the Company to Drew in April 2023.

³ Michael East resigned as a non-executive director of the Company effective 10 May 2023.

⁴ Julian Davidson was appointed as a non-executive director effective 24 April 2023. Fees payable to Julian as noted in Section 6 of this report will be paid by the Company during FY24 reflective of Julian's appointment date effective 24 April 2023.

⁵ Non-monetary benefits reflect the provision of motor vehicles during FY23.

⁶ As summarised in Section 5, STI awarded to Adem Karafili and Trent Fraser from the FY23 STIP Offer have been awarded in the form of equity based performance rights subsequent to 30 June 2023 and will be recognised in the FY24 period. The performance rights will be granted during FY24 subject to shareholder approval.

FY22

	Short term benefits				Post-employment benefits	Share-based payments	Total benefits and payments	% of total remuneration that is performance based
	Base Salary Fees (\$)	Non-monetary benefits (\$) 2	Annual leave (\$)	STI (\$)	Superannuation (\$)	Long-term incentive (\$) 1	Total remuneration	
Executive Directors								

Adem Karafili	268,536	31,453	20,603	-	29,204	(19,652)	330,144	-%
Drew Fairchild	340,906	-	26,128	-	34,091	(19,652)	381,473	-%
Non-Executive Directors								
Peter Cudlipp	42,772	1,127	-	-	4,390	(3,518)	44,771	-%
Michael East	42,772	-	-	-	4,277	(3,518)	43,531	-%
Lynette Mayne ³	10,476	-	-	-	1,048	-	11,524	-%
Ken Poutakidis ⁴	32,772	-	-	-	3,277	(12,898)	23,151	-%

¹ The long term incentives of Executive KMP were forfeited in FY21 and FY22. Refer to section 5 with regard to the FY22 Offer.

² Non-monetary benefits reflect the provision of motor vehicle leases during FY22.

³ Lynette Mayne was appointed as a non-executive director effective 28 April 2022.

⁴ Ken Poutakidis resigned as a non-executive director effective 28 April 2022.

7.2 Equity award tables for FY23

The table below shows a reconciliation of options and rights held by each KMP from the beginning to the end of FY23.

Name and grant date ^{1 3}	Balance at the start of the year		Granted as remuneration	Vested		Exercised ²	Forfeited		Other changes	Balance at the end of the year	
	Vested and exercisable	Unvested		Number	%		Number	%		Vested and exercisable	Unvested
Adem Karafili											
FY21 offer	915,936	402,696	-	-	-	-	-	-	-	915,936	322,157
FY23 retention offer	-	-	118,991	118,991	100.0%	-	-	-	-	118,991	-
FY23 performance offer	-	-	142,963	-	-	-	-	-	-	-	142,963
Drew Fairchild											
FY21 offer	915,936	402,696	-	-	-	-	107,386	33.0%	-	915,936	214,771
FY23 retention offer	-	-	154,520	154,520	100.0%	-	-	-	-	154,520	-
FY23 performance offer	-	-	180,370	-	-	-	180,370	100.0%	-	-	-
Trent Fraser											
FY21 offer	493,421	-	-	-	-	-	-	-	-	493,421	-
FY23 retention offer	-	-	277,778	-	-	-	-	-	-	-	277,778
FY23 performance offer	-	-	245,178	-	-	-	-	-	-	-	245,178
Peter Cudlipp											
FY21 offer	208,757	47,376	-	-	-	27,149	-	-%	-	181,608	47,376
FY23 offer	-	-	-	-	-	-	-	-	-	-	-

Michael East											
FY21 offer	50,837	47,376	-	-	-	27,149	15,792	33%	-	23,688	31,584
FY23 offer	-	-	-	-	-	-	-	-	-	-	-
Lynette Mayne											
FY23 offer	-	-	-	-	-	-	-	-	-	-	-
Julian Davison											
FY23 offer	-	-	-	-	-	-	-	-	-	-	-

¹ The Executive KMP FY22 Offer was 100% forfeited.

² Amounts relate to zero priced options granted at the time of the Company's initial public offering in lieu of director fees for the FY21 period.

³ The valuation methodology of rights granted in relation to the FY23 retention offer and FY23 performance offer has been summarised in Note 37 to the financial statements within this annual report.

7.3 KMP shareholdings

FY23	Opening balance start of year (#)	Shares issued upon exercise of options (#) ¹	Shares purchased / (disposed) during FY23 (#)	Closing balance (#) ²
Adem Karafili	3,540,764	-	82,142	3,622,906
Drew Fairchild	2,853,370	-	(437,500)	2,415,870
Trent Fraser	4,250	-	-	4,250
Peter Cudlipp	639,576	27,149	(30,000)	636,725
Michael East	197,400	27,149	-	224,549
Lynette Mayne	-	-	-	-
Julian Davidson	-	-	-	-

¹ Non executive director zero priced options issued at the time of the Company's initial public offering in December 2020

² Closing balance at either 30 June 2023 or the date that a director ceased directorship of the Company (Drew Fairchild: 21 April 2023; Michael East: 10 May 2023)

7.4 Related party transactions

Transactions with related parties

Top Shelf engaged Fairchild Advisory, a controlled entity of former Chief Executive Officer Drew Fairchild, in relation to the provision of health, safety, environment, and quality services during the year ended 30 June 2023.

Top Shelf subleased office floorspace from Damstra Holdings Limited, an entity of which former Chief Executive Officer Drew Fairchild is a non-executive director for the year ended 30 June 2023.

Related party transactions	Consolidated Entity	
	30 June 2023 \$	30 June 2022 \$

Top Shelf engaged Fairchild Advisory, a related party of Chief Executive Officer Drew Fairchild, in relation to the provision of health, safety, environment, and quality services. ¹	93,050	53,436
Top Shelf subleased office space from Damstra Holdings Limited, an entity of which Chief Executive Officer Drew Fairchild is a non-executive director. ²	166,762	139,653

¹ The provision of these services ceased in June 2023.

² This sublease arrangement is anticipated to cease by September 2023.

The health, safety, environment, and quality services and office space sublease were provided on normal commercial terms and conditions and at market rates.

Receivables from related parties

There were no trade receivables from related parties at the current or prior reporting date.

Loans to/from and payable to related parties

There were no loans with related parties during the current reporting period.

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Julian Davidson'.

Julian Davidson
Chairman

A handwritten signature in black ink, appearing to read 'Adem Karafili'.

Adem Karafili
Executive Director

31 August 2023
Melbourne

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

As lead auditor of Top Shelf International Holdings Ltd for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 31 August 2023

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

		Consolidated	
	Note	2023	2022
		\$'000	\$'000
Revenue from contracts with customers	5	27,547	20,215
Cost of sales			
Product cost of sales	6	(11,034)	(8,886)
Excise	6	(10,434)	(5,866)
Cost of sales – total		(21,467)	(14,752)
Gross Profit		6,080	5,463
Other Income		269	149
Fair value gain on biological assets	17	2,277	6,305
Expenses			
Distribution expense		(983)	(962)
Selling expenses		(5,820)	(5,935)
Marketing expense		(6,828)	(6,484)
Operating, general & administration expenses	7	(22,296)	(16,440)
Share based payments	35	(995)	(443)
Depreciation & amortisation	7	(960)	(794)
Finance income		85	-
Finance costs	7	(4,672)	(2,570)
Loss before income tax benefit		(33,841)	(21,711)
Income tax (expense) / benefit	8	(14,450)	5,273
Loss after income tax benefit for the year attributable to the owners of Top Shelf International Holdings Ltd		(48,291)	(16,438)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year attributable to the owners of Top Shelf International Holdings Ltd		(48,291)	(16,438)
		Cents	Cents
Basic earnings / (losses) per share	3	(63.81)	(25.69)
Diluted earnings / (losses) per share	35	(63.81)	(25.69)

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

Consolidated statement of financial position
As at 30 June 2023

Assets	Note	Consolidated	
		2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	9	2,855	20,129
Trade and other receivables	10	3,958	6,475
Inventories	11	11,857	11,257
Biological assets	17	1,238	-
Other assets	12	624	1,930
Total current assets		<u>20,531</u>	<u>39,791</u>
Non-current assets			
Property, plant and equipment	13	32,355	28,939
Right-of-use assets	14	5,694	6,227
Intangible assets	15	2,330	2,211
Biological assets	17	18,182	15,669
Deferred tax assets	8	-	12,616
Other assets	12	354	354
Total non-current assets		<u>58,914</u>	<u>66,015</u>
Total assets		<u>79,446</u>	<u>105,805</u>
Liabilities			
Current Liabilities			
Trade and other payables	18	14,016	13,064
Borrowings	19	32,904	-
Lease liabilities	20	387	1,042
Provisions	21	854	844
Total current liabilities		<u>48,161</u>	<u>14,950</u>
Non-current liabilities			
Borrowings	19	-	23,913
Lease liabilities	20	6,550	6,073
Provisions	21,22	363	357
Deferred tax liabilities	8	1,698	-
Total non-current liabilities		<u>8,611</u>	<u>30,343</u>
Total liabilities		<u>56,772</u>	<u>45,293</u>
Net assets		<u>22,674</u>	<u>60,513</u>
Equity			
Issued capital	23	105,026	95,569
Reserves		3,131	2,136
Accumulated losses		(85,483)	(37,192)
Total equity		<u>22,674</u>	<u>60,513</u>

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

Consolidated statement of changes in Equity
For the year ended 30 June 2023

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance at 1 July 2021	62,450	1,693	(20,755)	43,388
Loss after income tax benefit for the year	-	-	(16,438)	(16,438)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	(16,438)	(16,438)
Transactions with owners in their capacity as owners:				-
Contributions of equity (note 24)	35,000	-	-	35,000
Share issue transaction costs (net of tax)	(1,881)	-	-	(1,881)
Share-based payments	-	443	-	443
Balance at 30 June 2022	95,569	2,136	(37,193)	60,512
Balance as at 1 July 2022	95,569	2,136	(37,193)	60,512
Loss after income tax benefit for the year	-	-	(48,291)	(48,291)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	(48,291)	(48,291)
Transactions with owners in their capacity as owners:				
Contributions of equity	10,000	-	-	10,000
Share issue transaction costs (net of tax)	(543)	-	-	(543)
Share-based payments	-	995	-	995
Balance at 30 June 2023	105,026	3,131	(85,484)	22,674

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

Consolidated statement of cash flows
For the year ended 30 June 2023

		Consolidated	
		2023	2022
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,744	30,014
Payments to suppliers and employees (Inclusive of GST)		(56,582)	(52,778)
Research and development income		-	307
Government grants received		-	60
Net cash used in operating activities	34	(22,837)	(22,397)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,264)	(4,809)
Payments for intangibles		(119)	(194)
Payments for biological assets		(1,474)	(1,691)
Receipts from disposal of property, plant and equipment		20	60
Receipts from R&D claim allocated to assets		-	922
Net cash used in investing activities		(7,848)	(5,712)
Cash flows from financing activities			
Proceeds from issues of shares	23	10,000	35,000
Share issue transaction costs	23	(679)	(2,367)
Proceeds from borrowings – external financier		10,000	10,000
Interest and finance costs on borrowings		(4,836)	(2,772)
Repayment of lease liabilities – buildings & equipment		(327)	(335)
Interest on lease liabilities		(753)	(755)
Net cash from financing activities		13,410	38,771
Net increase / (decrease) in cash and cash equivalents		(17,274)	10,662
Cash and cash equivalents at the beginning of the financial year		20,129	9,467
Cash and cash equivalents at the end of the financial year	9	2,855	20,129

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

Notes to the consolidated financial statements
30 June 2023

Note 1. General information

The financial statements cover Top Shelf International Holdings Ltd as a Group consisting of Top Shelf International Holdings Ltd ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to hereafter as the 'Group' or 'Top Shelf'). The 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 9 December 2020.

Its registered office and principal place of business is:

16-18 National Boulevard
Campbellfield VIC 3061

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant Accounting Policies

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted a number of new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position. Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet mandatory, have not been early adopted for the financial year ended 30 June 2023.

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial year ended 30 June 2023. They have not been adopted in preparing the financial statements for the year ended 30 June 2023 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date for the Company
<p>AASB 2020-1 (issued March 2020)</p> <p>AASB 2022-6 (issued December 2022)</p>	<p>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</p> <p>Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants</p>	<p>The main changes to the classification requirements for liabilities:</p> <ol style="list-style-type: none"> 1. The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights. 2. The right to defer settlement for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. 3. Classification is based on the right to defer settlement, and not intention (paragraph 73). 4. If the right to defer settlement of a liability arising from a loan arrangement is dependent upon the entity complying with specified conditions (covenants) in that loan arrangement, such covenants only affect the entity's right to defer settlement for at least twelve months after the reporting period if the entity must comply with the covenants on or before the end of the reporting period (reporting date). This applies even if compliance with the covenant is assessed only after reporting date (for example, if compliance is assessed based on audited financial statements authorised after the end of the reporting period). 5. If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32. If the conversion feature is classified as a liability or a derivative liability, the entity must consider the existence of any early conversion options when determining the classification as current or non-current. 	<p>1 July 2023</p>

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date for the Company
AASB 2021-2 (issued March 2021)	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	<p>Introduces a definition of ‘accounting estimate’, i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables, or estimating the fair value of an item recognised in the financial statements at fair value.</p> <p>Accounting estimates are developed using measurement techniques and inputs. Measurement techniques comprise <i>estimation techniques</i> (such as used to determine expected credit losses or value in use) and <i>valuation techniques</i> (such as the income approach to determine fair value).</p> <p>The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.</p>	1 July 2023
AASB 2021-5 (issued June 2021)	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the ‘initial recognition exemption’ does not apply to transactions where an entity recognises an asset and a liability which give rise to equal taxable and deductible temporary differences. This could occur, for example, where lessees recognise a right-of-use asset and lease liability for lease transactions, or where an entity recognises decommissioning, restoration, and other similar obligations, which form part of a related asset.	1 July 2023

Going concern

This 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

The following factors existed at 30 June 2023:

- For the financial year ended 30 June 2023, the Group incurred net operating and investing cash outflows of \$30.6 million (30 June 2022: net operating and investing cash outflows of \$28.1 million).
- At 30 June 2023, the Group had a net current deficiency of \$27.6 million (30 June 2022: net current asset position: \$24.9 million).
- At 30 June 2023, the Group had cash reserves of \$2.9 million (30 June 2022: \$20.9 million). The cash reserve balance at 30 June 2023 resulted in a breach of the minimum cash reserve covenant stipulated in the Group’s financing facility with its lender. The minimum cash reserve covenant is an assessment of cash reserves relative to 12 months forecast committed operating and investing activity cash flows. Accordingly, the Group has classified the borrowings as a current liability as at 30 June 2023.

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.

Subsequent mitigating event

In July and August 2023, the Group completed a \$30.0 million capital raise recapitalising the business which enabled the repayment of \$5.0 million to its lender in August 2023. The capital raise has enabled the Group to be compliant with the minimum cash reserve covenant as of the date of this financial report.

Going concern assessment

The Directors have considered the completion of the capital raise in addition to the Group’s financial forecasts

and associated capital requirements, and strategic initiatives currently in progress.

The Group is transitioning from an intensive capital investment phase, building infrastructure and brands required to perform at scale towards to a maturing sales and marketing business. The finalisation of the agave distillery in the September quarter of FY24 is the final component of the infrastructure build meaning an end to the intensive capital investment requirement of the Group.

The Directors remain confident that the Group will be able to continue as a going concern. This assumes 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 the financial statements.

The Directors' assessment has been based on forecasts and assumptions adopted by management. The forecasts have assumed:

- There are no material changes in the competitive and operating environment in which the Group operates. In addition, there are no significant deviations from current market expectations of economic or market conditions in which the Group operates.
- The Group continues to grow and enhance trading relationships with retailers, wholesalers and distributors, and direct customers in the alcoholic beverage sector.
- The Group commissions the agave distillery project and the Act of Treason market entry occurs as envisaged in the financial year ending 30 June 2024.
- The Group's brand portfolio – NED Australian Whisky, Grainshaker Australian Vodka, and Act of Treason Australian Agave – continues to grow and develop brand awareness and consumer engagement.
- The Group's vertically integrated production and supply chain capability continues to derive scalable operating efficiencies.
- There are no material changes in key employees and the Group's organisational structure can execute the next phase of business growth and improvement.
- There are no material changes in government legislation, regulatory environment or government policy (most notably the Australian excise duty regime) in relation to the alcoholic beverage and beverage production sectors.
- The Group's capital expenditure requirement, other than the agave distillery project, will reflect sustainment of existing infrastructure and plant and equipment and recurring expenditure in support of whisky maturation and agave agronomy programs.

Other considerations

The following factors have also been considered by Directors:

- As the Group's existing financing facility matures in December 2024, the Directors are seeking to align the long-term requirements of the Group with its debt funding and are currently preparing to undertake a market process to refinance the Group's debt funding arrangements to support the next growth phase of the business.
- The Directors are confident that plans to accelerate the Group's demonstrated historical revenue and margin growth trajectory through strategic distribution partnerships will enable the Group to significantly expand its distribution reach of its brand portfolio.
- The Group is currently exploring the potential for divestment of non-core assets inclusive of canning and bottling operations at the Group's production facility in Campbellfield, Victoria.
- The Group appointed Trent Fraser as Chief Executive Officer as part of a succession plan and executed a strategic review of business operations during the fourth quarter of the financial year ended 30 June 2023 leading to the implementation of cost base savings of \$7.5 million on an annualised basis. Management is continuing to investigate further cost efficiency opportunities. Should the Group seek to preserve further cash on a short-term basis, the Group can elect to restrict and slow investment in new make whisky production and agave agronomy activities without impacting the near term prospects of the Group.
- The Group has demonstrated the ability to raise capital if required from existing shareholders.

Financial information presentation

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 this

financial report. This 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.

Note 3. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, biological assets which have been measured at fair value less costs to sell.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Consolidated statement of financial performance classification change

The Group has revised the classification of third-party contract packaging excise recoveries in the presentation of the consolidated statement of financial performance. Management has assessed the contractual obligations of Top Shelf's customer arrangement to be an agent in relation to the excise obligation of product co-packed for its largest contract packaging customer. In accordance with AASB 15 Revenue from Contracts with Customers, the Company has recognised the associated revenue on a net excise basis.

The table below summarises the reclassification for the comparative period, the financial year ended 30 June 2022.

Original presentation		Revised presentation	
Revenue from contracts with customers		Revenue from contracts with customers	
Branded	12,368	Branded	12,368
Contract packaging	12,915	Contract packaging	7,848
Revenue – group total	25,283	Revenue – group total	20,215
Cost of sales	(19,820)	Cost of sales	(14,753)
Gross Margin	5,463	Gross Margin	5,463

Comparative figures are shown in the consolidated statement of financial position for 30 June 2022.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Shelf International Holdings Ltd as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue Recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised when or as Top Shelf International transfers control of goods or services to a customer at the amount to which Top Shelf International expects to be entitled. If the consideration promised includes a variable component, Top Shelf International 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.

The Group is producer and marketer of high-quality Australian spirits-based beverage brands and provider of contract packaging services. The Group 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 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.

NFT Program

The Group has identified distinct performance obligations reflected in the customer contract associated with the agave NFT program. Revenue is recognised at the point in time when the Group satisfies a performance obligation with the consideration allocated to each performance obligation on a stand alone selling price basis.

To determine the stand alone selling price, the Group has adopted an expected cost plus margin approach for each performance obligation with a residual approach for the initial performance obligation of the non-fungible token transfer. With this approach, direct costs to fulfil each performance obligation are recognised.

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 from dispatch from the Group's production facility in Campbellfield, Victoria.

The Group 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, the Group 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. The Group provides retrospective rebates to certain customers, which are offset against amounts payable by the customer.

Excise Duty – branded products

The Group 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 the Group cannot reclaim the excise duty. The Group therefore recognises excise duty, unless it regards itself as an agent of the regulatory authorities, as a cost to the Group and recognised as cost of sales in the statement of profit or loss.

Excise Duty – third-party contract packaging

Management has assessed the contractual obligations of Top Shelf's customer arrangement to be an agent in relation to the excise obligation of product co-packed for third party contract packaging customers. In accordance with AASB 15 Revenue from Contracts with Customers, the Company has recognised the associated revenue on a net excise basis.

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 the Group 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, intangible, biological or inventory assets are deducted from the asset that they relate to, reducing the depreciation expense charged to the income statement.

Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Top Shelf International Holdings Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

The Group 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 the Group's historical observed default rates. The Group 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.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment

Land is stated at historical cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the land.

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 assets

In relation to production specific plant and equipment the Group 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. The Group considers this was a more accurate representation of the expected pattern of consumption of economic benefit embodied in 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 the Group. 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 the Group 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.

The Group 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 are 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 drinks 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

Biological assets represent any unharvested agave valued in accordance with AASB 141 Agriculture. Agricultural produce, being agave pina, is measured at fair value on initial recognition and at each reporting date.

Net increments and decrements in the fair value of the growing assets are recognised as income or expense in profit or loss, determined as:

- The difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date; and
- Costs incurred in maintaining or enhancing the biological assets.

Impairment of tangible and intangible assets

All 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.

Impairment losses are recognised in the income statement in the reporting period when the carrying amount of the asset exceeds the recoverable amount. The Group recognises any reduction in the carrying value as an expense in the income statement in the reporting period in which the impairment loss occurs.

Impairment assessment is performed at the level of our Brands and Agave cash generating units (CGU).

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days from end of month of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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, the Group'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.

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.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted, using an appropriate valuation model. The option pricing model can be either the Binomial or Black-Scholes, this takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend return and the risk free interest rate for the term of the option, together with the non-vesting conditions.

The costs of equity-settled transactions are recognised, together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee become full entitled to the award (the "vesting date"). For cash settled share-based compensation, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled.

The cumulative expense is recognised for equity-settled transactions at each reporting date until the vesting date reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period and the corresponding amount is represented in the options reserve. At the end of each reporting period, the Group re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of profit and loss.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Group or counterparty, any remaining element of the fair value of the award is expensed immediately through the consolidated profit and loss.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share at a point when the Group recognises profit after tax.

Issued capital

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

Reserves

The option reserve is used to recognise the value of unvested equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. The amounts are transferred out of the reserve when the shares are issued.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

Critical accounting judgements, estimates and assumptions

The preparation of the 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. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Going concern

The going concern assessment of the Group by Directors has been made with reference to financial forecast of the Group's performance over the next 12 months. These forecasts are based on estimates and assumptions as discussed in Note 2.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss ('ECL'), grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Biological assets fair value measurement

The unharvested agave plants are classified as a biological assets and valued in accordance with AASB 141 Agriculture. In applying this standard, the Group has made various assumptions at the reporting date as the selling price of the plants can only be estimated and the actual yield not harvested at the reporting date will not be known until it is completely processed and sold. Agricultural produce is measured at fair value less costs to sell. The fair value inputs are considered Level 3 with reference to the fair value hierarchy.

Judgements within the valuation calculation include selling price of agave pina, plant growth cycle and yield, as well as indexation and discount rates. The valuation model considers projected plants reaching maturity, as well as anticipated farm operating and plant harvesting cost assumptions.

Determination of CGUs and their recoverable amounts

We apply management judgement to establish the cash generating units ('CGU') and determine their recoverable amounts using a value in use calculation for our impairment assessment.

We have determined that the assets within the Group comprise two CGUs. We have referred to these CGUs as Brands and Agave in this report.

Judgements within the value in use calculation include cash flow forecasts, as well as the selection of growth rates, terminal growth rates, contributory asset charges and discount rates based on past experience and our expectations

for the future. Our cash flow projections are based on five-year management-approved forecasts. The forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

Depreciation method and estimation of useful lives of assets

The Group has adopted the policy to depreciate plant and equipment relating to production assets on a units of production method. The Group considers the depreciation in line with the estimation of production of units over its useful life to be the measure that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The impact of the production units will be variable in any given financial period and as the business moves towards the full name plate capacity of the assets, it is expected that the annual rate of depreciation under this method will normalise. Any changes made to the assets could impact the estimation of the production capacity of units over its useful life which would change the depreciation per unit. For all other asset classes, it determined that straight-line is the appropriate method of depreciation. These judgements will be applied consistently each period unless there is a change in the expected pattern of consumption of those future economic benefits.

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Income tax losses incurred in the period have not been recognised as a deferred tax asset on the Group's consolidated statement of financial position. During FY23, the Group also derecognised carried forward tax losses previously recognised as a deferred tax asset. Notwithstanding the strategic direction of the Group towards profitability, the Directors have assessed the position at 30 June 2023 of not recognising tax losses as a deferred tax asset to be appropriate. The Group had accumulated tax losses of \$23.5 million to 30 June 2023.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences in a reasonable timeframe determined with reference to the long term strategic plans of the Group.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. 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 a 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, the information provided in this report reflects the one operating segment.

Major customers

The Group's branded product revenue was derived from a portfolio of major retail and wholesale, and direct customers in Australia during the year ended 30 June 2023. By 30 June 2023, the Group was predominantly providing contract packaging services to one multi-national beverage customer.

EBITDA

Earnings before interest, taxation and depreciation and 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:

	2023 \$'000	2022 \$'000
Loss after tax	(48,291)	(16,438)
Income tax expense/(benefit)	14,450	(5,273)
Net finance costs	4,586	2,570
Earnings before interest & taxation (EBIT)	(29,255)	(19,141)
Depreciation & amortisation ¹	1,716	1,154
Earnings before interest, taxation and depreciation & amortisation (EBITDA)	(27,539)	(17,987)

¹Depreciation & amortisation includes \$0.8 million of depreciation costs absorbed within cost of goods sold in FY23.

Note 5. Revenue from contracts with customers*Disaggregation of revenue*

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

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Major product lines</i>		
Branded (net of discounts and rebates)	20,044	12,368
Contract Packaging	7,503	7,848
	27,547	20,215

The above breakdown reflects reclassified expense categories in line with the revised presentation as at 30 June 2022. Please refer to note 3 Basis of Preparation for further detail.

Note 6. Cost of sales

	Consolidated	
	2023 \$'000	2022 \$'000
Raw materials	9,137	7,231
Employee benefits expense	1,381	997
Excise	10,434	5,866
Manufacturing overhead	516	659
	21,467	14,753

The above breakdown reflects reclassified expense categories in line with the revised presentation as at 30 June 2022. Please refer to note 3 Basis of Preparation for further detail.

Note 7. Expenses

Loss before income tax includes the following specific expenses:

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Depreciation</i>		
Leasehold improvements	50	114
Plant and equipment – production infrastructure	394	250
Other assets	91	74
Right-of-use asset	383	332
Total depreciation	917	770
<i>Amortisation</i>		
Software	43	24
Total amortisation	43	24
Total depreciation and amortisation	960	794
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,900	1,372
Interest and finance charges paid/payable on lease liabilities	759	763
Fees on borrowings	1,013	435
Finance costs	4,672	2,570
<i>Operating, general & administration expenses</i>		
Employee benefits expense	8,425	7,193
Professional and consulting fees	2,855	2,459
Insurance premiums	778	793
Rental and lease costs	517	426
Production and consumable & waste costs	2,338	1,239
Travel and vehicle costs	338	353
Provision for expected credit losses ¹	1,968	706
Loss on sale of fixed assets	55	939
Impairment of fixed assets ¹	1,397	-
Inventory write down costs ¹	2,552	1,044
Other	1,069	1,288
Total administration and operating expenses	22,295	16,440

¹Asset write-offs identified as part of the Group's strategic review of its fixed assets, trade and other receivables and inventories during FY23.

Note 8. Income Tax

	Consolidated	
	2023	2022
	\$'000	\$'000
Income tax benefit		
Current tax	-	-
Deferred tax – origination and reversal of temporary differences and tax losses	14,450	(5,273)
Aggregate income tax expense / (benefit)t	14,450	(5,273)
Deferred tax included in income tax benefit comprises:		
(Increase) / decrease in deferred tax assets	14,612	(7,267)
Increase / (decrease) in deferred tax liabilities	(162)	1,994
Deferred tax – origination and reversal of temporary differenced	14,450	(5,273)
<i>Numerical Reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(33,268)	(21,711)
Tax at the statutory rate of 25% (comparative rate 25%)	(8,317)	(5,428)
<i>Tax effect amounts which are not deductible / (taxable) in calculating taxable income:</i>		
Share based payments	130	111
Sundry items	155	44
Non-recognition of tax losses	8,020	-
De-recognition of tax losses previously recognised	14,461	-
	22,766	155
Income tax expense / (benefit)	14,450	(5,273)
<i>Amounts credited directly to equity</i>		
Deferred tax assets	(136)	(486)
Deferred tax asset		
	2023	2022
	\$'000	\$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	14,461
Right-of-use assets	391	305
Employee benefits	224	221
Provisions	969	143
Trade and other payables	492	528
Intangible assets	-	38
Blackhole expenditure	72	-
Borrowing costs	55	-
	2,203	15,697
Amounts recognised in equity:		
Capital raising costs	871	1,811
Deferred tax asset	3,074	17,508
Movements:		
Opening balance	17,550	9,796
(Debited) / Credited to profit or loss	(14,612)	7,267
Credited to equity	136	487
Closing balance	3,074	17,550

The value of unbooked tax losses at 30 June 2023 is \$23,533,000 (2022: \$1,052,000).

Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:
Amounts recognised in profit or loss:

	Consolidated	
	2023	2022
	\$'000	\$'000
Property, plant and equipment	906	914
Biological assets	3,521	2,975
Intangible assets	345	274
Amortisation of capital raising costs	-	723
Sundry	-	7
	<hr/>	<hr/>
Deferred tax liability	4,772	4,894
	<hr/>	<hr/>
Movements:		
Opening balance	4,934	2,940
Debited / (credited) to profit or loss	(162)	1,994
Closing balance	<hr/> 4,772 <hr/>	<hr/> 4,934 <hr/>

Net deferred tax asset

	Consolidated	
	2023	2022
	\$'000	\$'000
Deferred tax asset (per above)	3,074	17,550
Deferred tax liability (per above)	(4,772)	(4,934)
Deferred tax asset / (liability) (as disclosed in the statement of financial position)	<hr/> (1,698) <hr/>	<hr/> 12,616 <hr/>

Note 9. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current Assets</i>		
Cash at bank	<hr/> 2,855 <hr/>	<hr/> 20,129 <hr/>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 10. Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current Assets</i>		
Trade Receivables	5,796	6,680
Less: Allowance for expected credit losses	(1,717)	(198)
Less: Allowance for expected customer rebates	(198)	(238)
	<hr/> 3,881 <hr/>	<hr/> 6,244 <hr/>
Other receivables		
GST recoverable	<hr/> 77 <hr/>	<hr/> 230 <hr/>
	<hr/> 3,958 <hr/>	<hr/> 6,475 <hr/>

Allowance for expected credit losses

The Group has recognised a loss of \$1,968,000 (2022: \$706,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected Credit Loss Rate		Carrying Amount		Allowance for Expected Credit Losses	
	2023	2022	2023	2022	2023	2022
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	1.7%	1.3%	3,240	4,978	56	66
0 to 3 months overdue	35.8%	4.6%	1,247	1,601	446	74
3 to 6 months overdue	76.7%	65.1%	259	25	199	16
Over 6 months overdue	96.7%	55.2%	1,051	76	1,016	42
			5,797	6,680	1,717	198

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	198	213
Additional provisions recognised	1,968	706
Receivables written off during the year as uncollectable	(450)	(721)
Closing Balance	1,717	198

Note 11. Inventories

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current Assets</i>		
Raw Materials	1,371	1,793
Intermediate Inventories	120	196
Maturing Inventories	9,482	8,130
Finished Goods	2,479	1,511
Less: Provision for impairment	(1,082)	(47)
Less: Provision for angel share	(514)	(327)
	11,857	11,257

Intermediate inventories

Intermediate inventories include produced vodka and agave as at 30 June 2023 that has yet to be packaged into finished goods.

Maturing inventories

Maturing inventories include whisky in barrels and vats. As at 30 June 2023, the Group recorded \$7,833,000 (2022: \$4,146,000) of maturing inventories that are expected to be utilised after more than one year.

Provision for angel share

Provision for the estimated loss of spirit liquid from evaporation during the oak maturation process.

Note 12. Other Assets

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current Assets</i>		
Prepaid expenses and other current assets	477	811
Deposits with suppliers	146	1,119
	624	1,930
<i>Non Current Assets</i>		
Security Deposits	354	354

Note 13. Property, Plant and Equipment*Non-current assets*

	Consolidated	
	2023	2022
	\$'000	\$'000
Land – at cost	2,817	2,817
Leasehold improvements - at cost	1,677	1,794
Less: Accumulated depreciation	(291)	(241)
	1,386	1,553
Plant and equipment - production assets - at cost	15,268	15,026
Less: Accumulated depreciation	(1,761)	(1,187)
	13,507	13,839
Plant and equipment – production infrastructure – at cost	4,076	3,883
Less: Accumulated depreciation	(930)	(651)
	3,146	3,232
Plant and equipment – maturation assets – at cost	5,949	5,141
Less: Accumulated depreciation	(1,557)	(765)
	4,392	4,376
Other Assets – at cost	654	825
Less: Accumulated depreciation	(271)	(181)
	383	644
Assets under construction	6,723	2,477
	32,355	28,939

Reconciliations

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land	Leasehold Improvements	P&E - Production	P&E - Infrastructure	P&E - Maturation	Other assets	Assets Under Construction	Total
Balance at 30 June 2021	2,815	1,571	14,290	3,201	3,500	729	1,121	27,227
Additions	2	322	114	379	1,418	383	1,909	4,527
Disposals	-	(749)	-	(127)	-	(395)	-	(1,272)
Transfers	-	523	-	29	-	-	(552)	-
Depreciation Expense	-	(114)	(565)	(250)	(542)	(74)	-	(1,545)
Balance at 30 June 2022	2,817	1,553	13,839	3,232	4,376	643	2,477	28,938
Additions	-	48	63	193	249	10	6,111	6,674
Disposals	-	-	(75)	-	-	-	-	(75)
Impairment	-	(165)	(227)	-	-	(178)	(827)	(1,397)
Transfers	-	-	481	-	558	-	(1,039)	-
Depreciation Expense	-	(50)	(574)	(279)	(792)	(91)	-	(1,785)
Balance at 30 June 2023	2,817	1,386	13,507	3,146	4,392	384	6,723	32,356

Assets under construction

The carrying amount of assets under construction relates to assets that have been paid for before year end, arrived on site during the year, but are yet to be commissioned for use as at 30 June 2023 inclusive of agave distillery and oak maturation assets.

Impairment testing

The carrying amount of non-current assets have been allocated to the Brands and Agave CGUs. Refer to Note 17 for consideration of the Group's impairment testing as at 30 June 2023.

Note 14. Right-of-use assets

	Consolidated	
	2023	2022
	\$'000	\$'000
Equipment	882	732
Less: Accumulated Depreciation	(362)	(160)
	520	572
Buildings	6,501	6,501
Less: Accumulated Depreciation	(1,326)	(846)
	5,175	5,655
	5,694	6,227

Reconciliations

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Buildings	Equipment	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2021	6,083	263	6,346
Additions	-	425	425
Depreciation Expense	(428)	(116)	(544)
Balance at 30 June 2022	5,655	572	6,227
Additions	-	149	149
Depreciation Expense	(480)	(202)	(682)
Balance at 30 June 2023	5,175	519	5,694

For other AASB 16 and lease related disclosures, refer to the following:

- Refer note 7 for details of interest on lease liabilities and other lease payments;
- Refer note 20 for lease liabilities and maturity analysis at 30 June 2023; and
- Refer consolidated statement of cash flows for repayment of lease liabilities.

Note 15. Intangible assets

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non Current Assets</i>		
Intellectual property - at cost	1,269	1,255
Trademarks – at cost	954	806
Software – at cost	214	214
Less: Accumulated amortisation	(107)	(64)
	107	150
	2,330	2,211

Intellectual property and Trademarks are renewable indefinitely in all of the major markets where they are registered. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these trademarks. The nature of the industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace. Accordingly, the Group believe that it is appropriate that the trademarks and intellectual property are treated as having indefinite lives for accounting purposes and are therefore not amortised.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Intellectual Property	Trademarks	Software	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2021	1,193	675	173	2,041
Additions	63	131	-	194
Amortisation expense	-	-	(24)	(24)
Balance at 30 June 2022	1,256	806	149	2,211
Additions	14	148	-	162
Amortisation expense	-	-	(43)	(43)
Balance at 30 June 2023	1,270	954	106	2,330

Note 16. Impairment testing

At 30 June 2023, the Group reassessed the production assets (previously identified as a separate CGU) as forming part of the Group's integrated business model and on this basis are considered within the Brands CGU.

The carrying amount of the Group's property, plant & equipment and intangible assets have been allocated to the Brands and Agave CGUs.

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:

	Brands	Agave
Discount rate (pre-tax)	13%	13%
Terminal value growth rate	4%	4%

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 (FY22 discount rate: 10.3% pre-tax).

Terminal value growth rate represents the growth rate applied to extrapolate the cash flows beyond the five-year forecast period (FY22: 3.0%). 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 15.8% 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 17. Biological assets

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Agave plants - at fair value	1,238	-
<i>Non-current assets</i>		
Agave plants - at fair value	18,182	15,669

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Agave plants \$'000
Balance at 30 June 2021	7,673
Expenditure	1,691
Fair value gain during the financial year ended 30 June 2022	6,305
Balance at 30 June 2022	15,669
Expenditure	1,474
Fair value gain during the financial year ended 30 June 2023	2,277
Balance at 30 June 2023	19,420

The Group has determined the fair value less costs to sell of the 766,000 plants as at 30 June 2023 (2022: 478,000) 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 35.0 kilograms;
- anticipated farm operating and plant harvesting costs
- farmgate price of MXP15 (AUD\$1.3248) per agave kilogram
- discount rate pre-tax of 13.0% (FY22: 10.3%)

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 transferred to inventories.

Valuation techniques and significant unobservable inputs

Type	Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
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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 Q1 to FY29 Q2.	Inclusive of: <ul style="list-style-type: none"> • Estimated future selling price of agave pina per kg • Estimated plant size and pina yield • Estimated farm and harvesting costs 	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 \$0.9 million.
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Asset Security

The Group's agave plants are pledged as security for the Group's secure financing with Longreach Credit.

Note 18. Trade and other payables

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Trade payables	9,380	9,169
Accrued expenses and employee related payables	4,268	3,527
Customer deposits received in advance	368	368
	<hr/> 14,016	<hr/> 13,064

Note 19. Borrowings

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Loan from Longreach Direct Lending Fund - interest bearing	35,000	-
Borrowing Costs	(2,096)	-
	<hr/> 32,904	<hr/> -
<i>Non-current liabilities</i>		
Loan from Longreach Direct Lending Fund - interest bearing	-	25,000
Borrowing Costs	-	(1,082)
	<hr/> -	<hr/> 23,918

Refer to note 25 for further information on financial instruments.

Financing Facility with Longreach Direct Lending Fund

On 29 August 2022, the Company executed a facility agreement amendment deed with Longreach Credit Investors enabling the Group to draw funds of \$10.0 million during FY23.

The fixed interest rate is 10.25% when the market capitalisation of Top Shelf is less than \$75.0 million (market capitalisation above \$75.0 million, interest rate: 8.25%). The maturity date of the facility agreement is 15 December 2024.

The facility agreement has a minimum cash reserve covenant. The covenant is an assessment of cash reserves relative to 12 months forecast operating and investing activity cash flows. As at 30 June 2023, the Group had cash reserves of \$2.9 million, and consequentially 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 which was \$35 million (nominal) at 30 June 2023 and is accordingly presented as a current liability.

The recently completed \$30.0 million capital raise has enabled the Group to be compliant with the minimum cash reserve covenant as of the date of this report. Since 30 June 2023, the Group had repaid facility principal of \$5.0 million with an outstanding principal balance of \$30.0 million.

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Loan from Longreach Direct Lending Fund	35,000	25,000

Assets pledged as security

The Group's tangible assets are pledged as security with the secured financing facility with Longreach Direct Lending Fund.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2023	2022
	\$'000	\$'000
Total facilities		
Loan from Longreach Direct Lending Fund	35,000	25,000
Used at the reporting date		
Loan from Longreach Direct Lending Fund	35,000	25,000
Unused at the reporting date		
Loan from Longreach Direct Lending Fund	-	-

Note 20. Lease Liabilities

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability - buildings	203	896
Lease liability - equipment	184	146
	387	1,042
<i>Non-current liabilities</i>		
Lease liability - buildings	6,201	5,664
Lease liability - equipment	350	409
	6,550	6,073

Maturity analysis

The maturity analysis of lease liabilities is as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Maturity Analysis - contractual undiscounted cash flows		
Less than one year	1,108	1,042
One to five years	5,440	5,346
More than five years	5,633	6,707
Total undiscounted lease liabilities at 30 June	12,181	13,095
Lease liabilities included in the statement of financial position		
Lease liabilities included in the statement of financial position at 30 June	6,938	7,115

Represented by:

Lease liabilities - current

Lease liabilities - non-current

387	1,042
6,550	6,073
6,938	7,115

Note 21. Employee Benefits

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	854	844
<i>Non-current liabilities</i>		
Long service leave	42	42

Note 22. Other Provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non-current liabilities</i>		
Lease make good	321	315

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	2023	2022
	\$'000	\$'000
Leasehold make good		
Carrying amount at the start of the year	315	309
Unwinding of discount	6	6
Carrying amount at the end of the year	321	315

Note 23. Issued Capital

	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	84,169,533	71,588,086	110,025	100,025
Share issue transaction costs, net of tax			(5,616)	(4,456)
	84,169,533	71,588,086	104,409	95,569

Movements in ordinary share capital

	Date	Shares	Issue Price	\$'000
Opening Balance	30 June 2022	71,588,086		95,569
Issue of Shares (conversion of director options)	20 December 2022	81,447	\$nil	-
Issue of Shares	3 March 2023	12,500,000	\$0.80	10,000

Share issue transaction costs, net of tax

-

(543)

84,169,533

105,026

The Company has issued additional ordinary share capital subsequent to 30 June 2023. Refer Note 37 Events after the reporting period.

Note 24. Dividends

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

Note 25. Financial Instruments

Financial risk management and objectives

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The Group is exposed to risks arising from environmental changes as well as the financial risk in respect of agricultural activities.

The primary financial risk associated with the Group's agricultural activity occurs due to the length of time between expending cash on the purchase, or planting and maintenance of agave plants, harvesting the plants and making the spirit, to receiving cash from the sale of spirits to third parties. The Group's strategy to manage this financial risk is to actively review and manage working capital requirements, along with consultation with Agricultural experts.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Interest rate risk

The Group's secured financing facility with Longreach Credit has a fixed interest rate of 10.25%. If the Group's market capitalisation is above \$75.0 million, the fixed interest rate is 8.25%.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity Risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves, available borrowing facilities and accessing additional equity, and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Price Risk

The Group is affected by the price volatility of agave pina given there is no active market for these assets. The change in pina price per kilogram is monitored by management and the Directors as it impacts the fair value determination of biological assets. Sensitivity disclosures on agave pina price is included in note 17.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
Group 2023	%	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		14,016	-	-	14,016
<i>Interest-bearing - fixed</i>					
Lease liability - buildings	12.00%	924	5,060	5,633	11,616
Lease liability - equipment	3.45%	184	380	-	564
<i>Interest-bearing - fixed rate</i>					
Loan with Longreach Direct Lending Fund ¹	8.75%	35,000	-	-	35,000
Total non-derivatives		50,124	5,440	5,633	61,196
Group 2022					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		13,064	-	-	13,064
<i>Interest-bearing - fixed</i>					
Lease liability - buildings	12.00%	897	4,910	6,706	12,513
Lease liability - equipment	2.56%	158	424	-	582
<i>Interest-bearing - fixed rate</i>					
Loan with Longreach Direct Lending Fund	7.25%	-	25,000	-	25,000
Total non-derivatives		14,119	30,334	6,706	51,159

¹ The Group's loan with Longreach Direct Lending Fund has been classified as current due to the Group being in breach of the facility agreement's minimum cash reserve covenant at 30 June 2023. The recently completed \$30.0 million capital raise has enabled the Group to be compliant with the minimum cash reserve covenant as of the date of this report.

Note 26. Fair Value Measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The Group's biological assets are classified as Level 3 with reference to the fair value hierarchy.

The fair value measurements of the Group stated above refer to the fair value hierarchy. These include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level during the year ended 30 June 2023 (2022: nil).

Note 27. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Group	
	2023	2022
	\$	\$
Short-term employee benefit	1,750,024	817,545
Post-employment benefits	151,833	76,287
Share based payments ¹	595,256	(59,238)
Total	2,496,113	834,594

¹ Share based payments are subject to service, group and individual performance and share price growth vesting conditions. Refer to further detail set out in the Directors' report.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company:

	Group	
	2023	2022
	\$	\$
<i>Audit services: (2023: BDO Audit Pty Ltd, 2022: Ernst & Young)</i>		
Audit or review of the financial statements	235,000	390,000
<i>Non-audit services (2023: BDO Services Pty Ltd, 2022: Ernst & Young)</i>		
Other services – tax compliance services	32,000	49,000
Total	267,000	439,000

Note 29. Commitments and contingent liabilities

The Group has given bank guarantees as at 30 June 2023 of \$300,000 (2022: \$375,000) in relation to property lease agreements.

The Group had outstanding commitments with trading partners recognised in the ordinary course of business of \$437,000 at 30 June 2023.

Note 30. Related party transactions*Parent Entity*

Top Shelf International Holdings Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

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

There were no outstanding balances in relation to loans and payables with related parties at the current and previous reporting date.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$'000	2022 \$'000
Profit / (Loss) after income tax	(15,018)	(4,202)
Total comprehensive income / (loss)	(15,018)	(4,202)

Statement of financial position

	Parent	
	2023 \$'000	2022 \$'000
Total current assets	2,640	20,102
Total assets	123,534	118,966
Total current liabilities	837	696
Total liabilities	33,745	24,606
Net assets	89,789	94,360
Equity		
Issued capital	105,021	95,569
Reserves	3,131	2,136
Accumulated losses	(18,363)	(3,345)
Total equity	89,789	94,360

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Top Shelf International Packaging Pty Ltd	Australia	100%	100%
Top Shelf International Brands Pty Ltd	Australia	100%	100%
Top Shelf International Pty Ltd	Australia	100%	100%

Note 33. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Top Shelf International Holdings Ltd
 Top Shelf International Packaging Pty Ltd
 Top Shelf International Brands Pty Ltd
 Top Shelf International Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Top Shelf International Holdings Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 34. Cash flow information*Reconciliation of loss after income tax to net cash used in operating activities*

	Group	
	2023 \$'000	2022 \$'000
Loss after income tax (expense)/benefit for the year	(48,291)	(16,438)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,716	1,154
Finance costs	4,586	2,570
Fair value gain on biological assets	(2,277)	(6,305)
Share based payments	995	443
Loss on sale of fixed assets	1,397	939
<i>Change in operating assets and liabilities:</i>		
(Increase) / Decrease in trade and other receivables	2,517	1,427
(Increase) / Decrease in inventories	1,073	(3,131)
(Increase) / Decrease in net deferred tax assets	14,450	(5,273)
(Increase) / Decrease in other assets	231	218
Increase in trade and other payables	756	1,537
Increase in employee benefits	11	462
Net cash used in operating activities	(22,836)	(22,397)

Changes in liabilities arising from financing activities

Group	Borrowings - External financier ¹	Lease Liabilities - Buildings & Equipment	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2021	14,877	6,982	21,859
Additions	9,041	425	9,466
Repayments of principal	-	(292)	(292)
Balance at 30 June 2022	23,918	7,115	31,033
Additions	9,321	149	9,470
Repayments of principal	-	(326)	(326)
Balance at 30 June 2023	33,239	6,938	40,177

¹ Changes in borrowings liabilities excludes amortisation of capitalised borrowing costs.

Note 35. Earnings per share

	Consolidated	
	2023 \$'000	2022 \$'000
Loss after income tax attributable to the owners of Top Shelf International Holdings Ltd	(48,291)	(16,438)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	75,674,624	63,985,419

Weighted average number of ordinary shares used in calculating diluted earnings per share*	75,674,624	63,985,419
	Cents	Cents
Basic earnings / (loss) per share	(63.81)	(25.69)
Diluted earnings / (loss) per share	(63.81)	(25.69)

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

Note 36. Share-based payments

FY23 offer

Performance right offer

The Group introduced a performance right offer in FY23 in accordance with the Long Term Incentive Plan.

The performance right offer has three assessment tranches:

- Absolute Total Shareholder Return (weighting: 50%)
- Australian Agave development (weighting: 25%)
- International market advancement (weighting: 25%)

The Absolute Total Shareholder Return will be determined at the end of the measurement period on a sliding scale basis (> 18%: 100% vesting – 15%: 50% vesting - <10%: nil% vesting). The Australian Agave development and International market advancement assessment is binary and is either achieved or not achieved at the end of the measurement period in the opinion of the Board of the Group.

The exercise price is \$nil. The grant calculation price to determine the value and amount of performance rights granted was the Group share price as of 1 July 2022 or \$1.08.

The measurement period is three years (1 July 2022 – 30 June 2025).

The Group issued 1,535,062 performance rights in FY23.

Retention right offer

The Group introduced a retention right offer in FY23.

The retention right offer to Adem Karafili and Drew Fairchild was in recognition of the disparity between actual total remuneration package and a typical total remuneration package as seen in market over the previous two financial years. The vesting period for these rights was 12 months from 1 July 2022.

The retention right offer made to other senior management personnel reflected the desire of the Group to retain and incentivise key talent.

The exercise price is \$nil. The grant calculation price to determine the value and amount of performance rights granted was the Group share price as of 1 July 2022 or \$1.08.

The vesting period for these rights was 12 or 24 months from 1 July 2022.

The Group issued 821,649 retention rights in FY23.

	Performance rights	Retention rights
Model used	Monte Carlo	Monte Carlo
Risk free rate	3.17%	3.17%
Share price volatility	36%	36%
Dividend yield	0%	0%

Prior period option offers: Performance and service based vesting conditions

The Group has assessed the number of options forfeited from the FY21 option offers in relation to the service based vesting condition not achieved.

All start up and premium priced options granted during FY22 were forfeited as of 30 June 2022.

Equity instrument reconciliation: FY23

Offer	Exercise price	Exercisable at 1 July 2022	Outstanding at 1 July 2022	Granted during FY23	Exercised during FY23	Forfeited during FY23	Exercisable at 30 June 2023	Outstanding at 30 June 2023
Initial option offer – tranche 1 – start up options	\$2.026	1,772,652	-	-	-	-	1,772,652	-
Initial option offer – tranche 1 – premium priced options	\$3.445	2,716,224	-	-	-	-	2,716,224	-
Non executive director initial option offer	\$nil	81,447	-	-	(81,447)	-	-	-
FY21 option offer – start up options	\$2.026	-	717,032	-	-	(122,644)	233,533	594,388
FY21 option offer – premium priced options	\$3.445	-	2,153,090	-	-	(572,675)	467,105	1,113,311
FY23 performance rights	\$nil	-	-	1,535,062	-	(180,370)	-	1,354,692
FY23 retention rights	\$nil	-	-	821,649	-	-	321,659	499,990
Total		4,570,323	2,870,122	2,356,711	(81,447)	(875,689)	5,511,173	3,562,381

Share based payment expense

For the year ended 30 June 2023, the Group recognised \$995,000 of share-based payment expense in relation to the plan in the statement of profit and loss being the fair value at grant date of FY23 performance and retention rights and prior period options remaining on offer as of 30 June 2023 (FY22: \$443,000).

Note 37. Events after the reporting period

Capital raise

In May 2023, the Group announced the intention to undertake a capital raise being an accelerated non-renounceable entitlement offer and conditional placement to provide funding for the Group's next phase of growth and reduce debt.

The Group received shareholder approval for the conditional placement on 7 July 2023 enabling the institutional entitlement offer and conditional placement to complete on 10 July 2023. The Group announced the completion of the retail entitlement offer on 4 August 2023.

The capital raise, at a price of \$0.25 per share, totalled gross proceeds of \$30.0 million inclusive of the conditional placement (\$19.0 million), institutional entitlement offer (\$8.9 million) and committed shortfall cover in relation to the retail entitlement offer (\$2.1 million). The retail entitlement offer closed with proceeds of \$0.4 million with the committed shortfall cover at call of \$1.7 million. Transaction costs are expected to be approximately \$2.5 million.

As of the date of this report, the Group had repaid facility principal of \$5.0 million to its debt provider, Longreach Credit Investors, with an outstanding principal balance of \$30.0 million.

Board changes

On 31 July 2023 the Group announced a number of changes to the Board of Directors as part of the continued growth and evolution of the Group. Adem Karafili transitioned from Executive Chairman to an Executive Director role with Julian Davidson assuming the role of Chairman. The Group also announced the appointment of Stephen Grove as a Non-Executive Director as of 31 July 2023 and that Lynette Mayne would step down as a Non-Executive Director with immediate effect and that Peter Cudlipp, Non-Executive Director, would not seek re-election at the Group forthcoming annual general meeting.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations

Act 2001. On behalf of the directors

A handwritten signature in black ink, appearing to read 'Julian Davidson'.

Julian Davidson
Chairman

31 August 2023

Melbourne

A handwritten signature in black ink, appearing to read 'Adem Karafili'.

Adem Karafili
Executive Director

INDEPENDENT AUDITOR'S REPORT

To the members of Top Shelf International Holdings Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of property, plant and equipment and intangible assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Notes 13 and 15, at 30 June 2023 the Group has property, plant and equipment ('PPE') relating to distilling, production and canning/bottling assets, indefinite life intangible assets relating to intellectual property and trademarks, and finite life intangible assets software.</p> <p>PPE and intangible assets are assessed for impairment annually or where there is an indicator of impairment.</p> <p>Significant judgment and estimates are used by the Group in determining the recoverable amounts of the Group's cash generating units ('CGUs'). The recoverable amount is determined as the higher of value in use or fair value less cost of disposal. The recoverable amount is based on expected future cash flows that are based on future operating results, discount rates and the broader market conditions in which the Group operates.</p> <p>The impairment assessment of the CGUs was considered a key audit matter due to the inherent uncertainty, significant judgments, assumptions and estimates applied in determining the recoverable amounts of the CGUs.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process that management undertook to perform the Group's impairment assessment. • We evaluated the level at which assets are monitored for impairment, including the identification of CGUs. <p>In conjunction with our internal valuation specialists:</p> <ul style="list-style-type: none"> • We evaluated the 5-year value-in-use discounted cashflow model prepared by management and validated the reasonableness of the assumptions used to calculate the discount rate, growth rates, terminal values, working capital values and allocation of corporate costs. • We agreed the forecasted cashflows for years 1 to 5 included in the discounted cashflow model to the latest Board approved 5-year long-term model. • We assessed historical forecasting accuracy. • We compared market capitalisation of the Group to the net assets. • We confirmed the integrity and mathematical accuracy of the value-in-use discounted cashflow model. • We subjected the growth and discount rate key assumptions to sensitivity analysis to understand the change that would be required for relevant assets to be impaired, and assessed the likelihood of such movement in those key assumptions arising. • We assessed the appropriateness of the disclosures in the financial report with reference to the requirements of the Australian Accounting Standards.

Valuation of biological assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in note 17, the Group has biological assets relating to agave plants.</p> <p>These biological assets are stated at fair value less costs to sell in accordance with the Australian Accounting Standards.</p> <p>The fair value of the Group's biological assets is calculated using a discounted cash flow model and classified as a Level 3 valuation technique as defined by AASB 13 <i>Fair Value Measurement</i>.</p> <p>The valuation process is complex since a quoted price in an active market does not exist for those assets. Key assumptions are plants size, pina yield, future selling price, farming and harvest costs and discount rate which require a high degree of estimation. Given this high degree of estimation we considered the valuation of biological assets to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process that management undertook to perform the Group's valuation assessment. • We assessed the recognition criteria of the agave plants against the requirements of the Australian Accounting Standards. • We performed physical existence procedures on the agave plants. <p>In conjunction with our internal valuation specialists:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the valuation technique adopted by the Group. • We evaluated the value-in-use discounted cashflow model prepared by management and validated the reasonableness of the key assumptions used (including selling price, yield and discount rate). • We challenged the outcomes from the fair value model by performing sensitivity analysis on key estimates. • We evaluated the disclosures included in the financial report against the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial report of Top Shelf International Holdings Ltd for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 30 August 2022.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 29 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Top Shelf International Holdings Ltd, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



Salim Biskri
Director

Melbourne, 31 August 2023

Shareholder information

30 June 2023

The shareholder information set out below was applicable as at 28 August 2023.

Corporate Governance Statement

The Corporate Governance Statement can be found at <https://www.topshelfgroup.com.au/investors>.

Substantial Shareholders

The following holders are registered by TSI as a substantial holder, having declared a relevant interest in accordance with the Corporations Act 2001 (Cth), in the voting shares below:

Holder Name	Date of interest	Number of ordinary shares	% of issued capital
Astor Superannuation Pty Ltd (as trustee)	26 June 2023	6,164,957	7.32%
Grove Investment Group Pty Ltd	13 July 2023	28,314,003	14.4791%
Salter Brothers Emerging Companies Limited	13 July 2023	30,382,634	15.54%
Copia Investment Partners Ltd	13 July 2023	26,918,577	13.77%
Regal Funds Management Pty Ltd	13 July 2023	25,284,897	12.93%

¹ As disclosed in the last notice lodged with the ASX by the substantial shareholder.

² The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

Number of Security Holders

Securities	Number of Holders
Fully paid ordinary shares (Shares)	1,076
Unlisted options over ordinary shares (Options)	66
Unlisted performance rights over ordinary shares (Performance Rights)	23
Unlisted service rights over ordinary shares (Service Rights)	5

Voting Rights

Securities	Voting Rights
Ordinary Shares	<p>Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders:</p> <p>(a) each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative;</p> <p>(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and</p> <p>(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.</p>
Options	Options do not carry any voting rights.

Performance Rights	Performance Rights do not carry any voting rights.
Service Rights	Service Rights do not carry any voting rights.

Distribution Schedules

The distribution schedule for Ordinary Shares is as follows:

Spread of Holdings	Holders	Ordinary Shares	% of Total Ordinary Shares
1 - 1,000	248	124,809	0.06
1,001 - 5,000	283	784,916	0.38
5,001 - 10,000	137	1,037,463	0.51
10,001 - 100,000	313	9,881,082	4.84
100,001 - 9,999,999,999	95	192,322,591	94.21
Totals	1,076	204,150,861	100.00%

The distribution schedule for Options is as follows:

Spread of Holdings	Holders	Options	% of Total Options
1 - 1,000	0	0	0.000
1,001 - 5,000	0	0	0.000
5,001 - 10,000	4	31,584	0.320
10,001 - 100,000	41	1,647,982	16.530
100,001 - 9,999,999,999	21	8,292,643	83.160
Totals	66	9,972,209	100.00%

The distribution schedule for Performance Rights:

Spread of Holdings	Holders	Performance Rights	% of Total Performance Rights
1 - 1,000	0	0	0.000
1,001 - 5,000	0	0	0.000
5,001 - 10,000	0	0	0.000
10,001 - 100,000	14	783,206	34.530
100,001 - 9,999,999,999	9	1,484,875	65.470
Totals	23	2,268,081	100.00%

The distribution schedule for Service Rights is as follows:

Spread of Holdings	Holders	Service Rights	% of Total Service Rights
1 - 1,000	0	0	0.000
1,001 - 5,000	0	0	0.000
5,001 - 10,000	0	0	0.000
10,001 - 100,000	1	48,149	6.520
100,001 - 9,999,999,999	4	690,179	93.480
Totals	5	738,328	100.00%

Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
28 August 2023	\$0.18	411

Top 20 Shareholders

The top 20 shareholders together hold 82.36% of Shares and are listed below:

Rank	Holder Name	Securities	%
1	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	30,500,000	14.94%
2	GROVE INVESTMENT GROUP PTY LTD	28,314,003	13.87%
3	NATIONAL NOMINEES LIMITED	28,027,056	13.73%
4	UBS NOMINEES PTY LTD	18,407,579	9.02%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,238,611	5.51%
6	CITICORP NOMINEES PTY LIMITED	7,690,873	3.77%
7	WEE DRAM LIMITED	6,794,719	3.33%
8	SALTER BROTHERS CAPITAL PTY LTD	6,400,000	3.13%
9	ANKARA HOLDINGS PTY LTD <A&N KARAFILI FAMILY A/C>	4,136,510	2.03%
10	LAZARUS CAPITAL (VIC) PTY LTD	3,984,177	1.95%
11	M&S SKYLEISURE PTY LIMITED <M SKYLEISURE A/C>	3,302,880	1.62%
12	M&S SKYLEISURE PTY LIMITED <S SKYLEISURE A/C>	3,302,880	1.62%
13	GLANKARA INVESTMENTS PTY LTD <GLANKARA SUPER FUND A/C>	2,685,646	1.32%
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,651,063	1.30%
15	MR WAYNE STEVEN WILSON	2,070,000	1.01%
16	BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C>	2,000,000	0.98%
17	SALTER BROTHERS EMERGING COMPANIES LIMITED	2,000,000	0.98%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,922,584	0.94%
19	FINDEX CORPORATE FINANCE (AUST) LTD	1,600,000	0.78%
20	PORPETTE PTY LTD <PORPETTE INVESTMENT A/C>	1,106,708	0.54%
	Total	168,135,289	82.36%

Company Details

Company secretary: Carlie Hodges

Registered Address: 16-18 National Blvd Campbellfield VIC 3061

Telephone: 03 8317 9990

Address of where the register is kept: BoardRoom Pty Limited, Level 8, 210 George Street, Sydney NSW 2000

Telephone of where the register is kept: 1300 737 760

Other stock exchange where the entities equity securities are quoted: N/A

Restricted Securities

There are no securities subject to mandatory escrow restrictions under ASX Listing Rules Chapter 9. The following securities are subject to voluntary escrow restrictions:

Class	Date of Expiry	Number of Shares
Fully Paid Ordinary Shares subject to Voluntary Escrow for 3 years from Issue	Various	32,452
		32,452

Unquoted Securities

The following Options are on issue:

Class	Date of Expiry	Exercise Price	Number of Options	Number of Holders
Unlisted Options	Various	\$2.026	3,129,083	62
Unlisted Options	Various	\$3.445	6,843,126	47
			9,862,209	66

There are no holders outside of the EIP that hold more than 20% of the Options on issue.

The following Performance Rights are on issue:

Class	Date of Expiry	Exercise Price	Number of Performance Rights	Number of Holders
Unlisted Performance Rights	Various	\$0	2,268,081	23
			2,268,081	23

There are no holders outside of the EIP that hold more than 20% of the Performance Rights on issue.

The following Service Rights are on issue:

Class	Date of Expiry	Exercise Price	Number of Service Rights	Number of Holders
Unlisted Retention Service Rights	Various	\$0	738,328	5
			738,328	5

There are no holders outside of the EIP that hold more than 20% of the Service Rights on issue.

Share Buy-Backs

There is no current on-market buy-back scheme.