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## Lark Distilling Co.

(Formerly known as Australian Whisky Holdings Limited)  
ABN 62 104 600 544

### Appendix 4E Preliminary Final Report – 30 June 2021

*Provided to the ASX under Listing Rule 4.3A*

**Lark Distilling Co. Ltd**  
**Corporate directory**  
**30 June 2021**

Directors

Mr David Dearie (Non-Executive Chairman)  
Mr Geoff Bainbridge (Managing Director)  
Mr Warren Randall (Non-Executive Director)  
Ms Laura McBain (Non-Executive Director)

Company secretary

Ms Melanie Leydin

Registered office

Level 1  
30 Argyle Street  
Hobart TAS 7000

Principal place of business

Level 1  
30 Argyle Street  
Hobart TAS 7000

Auditor

Deloitte  
Level 8  
22 Elizabeth Street  
Hobart TAS 7000

Stock exchange listing

Lark Distilling Co. Ltd shares are listed on the Australian Securities Exchange (ASX code: LRK)

**Lark Distilling Co. Ltd**  
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**30 June 2021**

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**Lark Distilling Co. Ltd**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity: Lark Distilling Co. Ltd  
ABN: 62 104 600 544  
Reporting period: For the year ended 30 June 2021  
Previous period: For the year ended 30 June 2020

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

			\$
Revenues from ordinary activities	up	126.5% to	16,542,984
Profit from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	up	370.5% to	3,441,475
Profit for the year attributable to the owners of Lark Distilling Co. Ltd	up	370.5% to	3,441,475

*Dividends*

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

*Comments*

Refer to attached review of operations for commentary over the results for the period.

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>59.51</u>	<u>47.64</u>

Net tangible assets excludes intangible assets, and right-of-use assets recognised under AASB 16 Leases.

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**4. Control gained/lost over entities**

Not applicable.

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**5. 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.

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**6. Dividend reinvestment plans**

Not applicable.

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**7. Details of associates and joint venture entities**

Not applicable.

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**8. Foreign entities**

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

Not applicable.

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**9. Audit qualification or review**

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

The financial statements are in the process of being audited.

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**10. Attachments**

*Details of attachments (if any):*

The Preliminary Final Report of Lark Distilling Co. Ltd for the year ended 30 June 2021 is attached.

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**11. Signed**

Signed   
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Date: 30 August 2021

David Dearie  
Non-Executive Chairman

**Lark Distilling Co. Ltd**  
**Appendix 4E**  
**Review of Operation**

**Review of operations**

Lark is proud to report profit before providing for income tax amounting to \$1.05 million, which represents a \$2.32m or 183% improvement over the previous corresponding period (30 June 2020: loss of \$1.27 million).

Key highlights:

- Revenue from ordinary activities for the year 30 June 2021 was \$16.54 million, up 126% compared to last year at \$7.30 million.
- Net Sales Revenue (revenue after excise) for period was \$12.92 million, up 98% year on year.
- Lark achieved an average Net Sales Revenue per Litre of \$216, up 55% Year on year from \$139 per litre.
- Gross Margin as a % of Net Revenue was 67% which represents an improvement year on year of 5.1 ppts.
- Litres under maturation increased by 54% to 1,093,073 as at 30 June 2021, from 711,313 litres as at 30 June 2020.

Lark Distilling Co. - Litres of Whisky as at 30 June 2021 at 43% ABV			
FY Maturing	Litres of Whisky at Maturation at 43% ABV	Liquidation Value Today	Net Sales Value at Maturation (\$216 per Litre)
2022	113,004	\$24,408,802	\$24,408,802
2023	145,753	\$25,505,745	\$31,482,627
2024	214,227	\$28,703,507	\$46,273,047
2024	204,033	\$18,970,967	\$44,071,218
2026	245,837	\$12,776,978	\$53,100,792
2027+	170,219	\$3,404,379	\$36,767,304
<b>Grand Total</b>	<b>1,093,073</b>	<b>\$113,770,379</b>	<b>\$236,103,791</b>

<b>Value at Cost June 2021</b>	<b>\$20,356,155</b>
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The maturation market value is based on an estimated future net sales value which is equal to what the Group's net sales value achieved today. The market value presented has an inherent risk in that the estimated net sales value will be achieved on maturation, therefore consideration needs to be given to market conditions at that point in time

- The value of the Whisky Bank based on maintaining the F21 NSR per Litre of \$216 is estimated at \$236m.
- During the period Lark received multiple awards and recognition for the quality of its products, including being nominated as one of four distillers for Worldwide Whisky Producer of the Year. In addition, 28 medals were received recognising multiple SKUs from the Core & Limited Release portfolio from numerous Whisky bodies and organisations around the world.

**Financial Position**

The net assets of Lark remain strong at \$50.40 million as at 30 June 2021 (an increase of \$13.02 million from 30 June 2020).

This increase is largely due to the following:

- Profit before income tax for the year of \$1.05 million; driven by the following:

- Gross profit of \$8.65 million;
- Other income of \$0.72 million;
- Operating expenses of \$8.05 million;
- Net finance costs of \$0.27 million.

- Lark's net assets were strengthened via institutional placement of \$8.85 million completed in September 2020.

- Lark's working capital (current assets less current liabilities) is \$15.21 million at 30 June 2021 (30 June 2020: \$9.00 million).

**Lark Distilling Co. Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Revenue</b>			
Revenue	2	16,542,984	7,302,136
Cost of sales	4	(7,888,608)	(3,260,042)
Gross profit		<u>8,654,376</u>	<u>4,042,094</u>
Other income	3	723,022	748,803
<b>Expenses</b>			
Selling and distribution expenses	4	(1,889,273)	(824,856)
Administration expenses		(2,981,975)	(2,401,675)
Employee benefit expense		(2,985,221)	(2,541,438)
Depreciation and amortisation	5	(205,798)	(127,068)
<b>Operating profit/(loss)</b>		1,315,131	(1,104,140)
Finance income	6	2,167	19,117
Finance costs	7	(271,343)	(187,273)
<b>Profit/(loss) before income tax benefit</b>		1,045,955	(1,272,296)
Income tax benefit	8	2,395,520	-
<b>Profit/(loss) after income tax benefit for the year attributable to the owners of Lark Distilling Co. Ltd</b>	4	3,441,475	(1,272,296)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>376</u>	<u>447</u>
Other comprehensive income for the year, net of tax		<u>376</u>	<u>447</u>
<b>Total comprehensive income / (loss) for the year attributable to the owners of Lark Distilling Co. Ltd</b>		<u><u>3,441,851</u></u>	<u><u>(1,271,849)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		5.66	(2.34)
Diluted earnings per share		5.34	(2.34)

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

**Lark Distilling Co. Ltd**  
**Statement of financial position**  
**As at 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	7,645,874	6,119,362
Trade and other receivables	10	2,394,945	1,364,115
Inventories	11	7,757,179	4,950,050
Prepaid assets	12	708,089	21,244
<b>Total current assets</b>		<u>18,506,087</u>	<u>12,454,771</u>
<b>Non-current assets</b>			
Inventories	13	18,064,721	14,329,411
Property, plant and equipment	14	8,434,320	7,907,617
Right-of-use assets	15	1,643,857	206,930
Intangibles	16	11,224,514	11,229,315
Deferred tax	17	2,501,104	-
<b>Total non-current assets</b>		<u>41,868,516</u>	<u>33,673,273</u>
<b>Total assets</b>		<u>60,374,603</u>	<u>46,128,044</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,927,061	2,885,233
Financial liabilities	19	214,427	423,612
Employee benefits	20	262,594	150,263
<b>Total current liabilities</b>		<u>3,404,082</u>	<u>3,459,108</u>
<b>Non-current liabilities</b>			
Trade and other payables		-	17,247
Borrowings	21	5,000,000	5,000,000
Financial liabilities	22	1,534,163	176,060
Employee benefits		38,092	98,531
<b>Total non-current liabilities</b>		<u>6,572,255</u>	<u>5,291,838</u>
<b>Total liabilities</b>		<u>9,976,337</u>	<u>8,750,946</u>
<b>Net assets</b>		<u>50,398,266</u>	<u>37,377,098</u>
<b>Equity</b>			
Issued capital	23	58,498,886	49,475,985
Reserves	24	1,100,504	543,712
Accumulated losses	25	(9,201,124)	(12,642,599)
<b>Total equity</b>		<u>50,398,266</u>	<u>37,377,098</u>

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



**Lark Distilling Co. Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2019	49,361,969	47,641	(11,370,303)	38,039,307
Loss after income tax benefit for the year	-	-	(1,272,296)	(1,272,296)
Other comprehensive income for the year, net of tax	-	447	-	447
Total comprehensive income / (loss) for the year	-	447	(1,272,296)	(1,271,849)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	114,016	-	-	114,016
Share-based payments	-	495,624	-	495,624
Balance at 30 June 2020	<u>49,475,985</u>	<u>543,712</u>	<u>(12,642,599)</u>	<u>37,377,098</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	49,475,985	543,712	(12,642,599)	37,377,098
Profit after income tax benefit for the year	-	-	3,441,475	3,441,475
Other comprehensive income for the year, net of tax	-	376	-	376
Total comprehensive income for the year	-	376	3,441,475	3,441,851
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	8,556,996	-	-	8,556,996
Share-based payments	-	556,416	-	556,416
Issue of shares on exercise of unlisted options	465,905	-	-	465,905
Balance at 30 June 2021	<u>58,498,886</u>	<u>1,100,504</u>	<u>(9,201,124)</u>	<u>50,398,266</u>

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

**Lark Distilling Co. Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2021**

	Note	Consolidated 2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		16,566,804	8,348,262
Payments to suppliers and employees (inclusive of GST)		(7,595,798)	(3,858,586)
Purchase of inventory		(15,828,804)	(7,887,738)
Interest paid		(271,343)	(163,315)
Interest received		2,167	33,385
Government grants received		751,878	-
Net cash used in operating activities	27	<u>(6,375,096)</u>	<u>(3,527,992)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(774,007)	(1,330,644)
Payments for intangibles		(13,094)	(244,996)
Proceeds from sale of property, plant and equipment		150,000	6,000
Net cash used in investing activities		<u>(637,101)</u>	<u>(1,569,640)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		8,857,503	-
Share issue transaction costs		(406,091)	-
Proceeds from the exercise of options		465,905	-
Proceeds from borrowings		-	5,000,000
Repayment of borrowings		(296,915)	(490,354)
Payment of lease liabilities under AASB 16		(81,693)	(23,958)
Net cash from financing activities		<u>8,538,709</u>	<u>4,485,688</u>
Net increase/(decrease) in cash and cash equivalents		1,526,512	(611,944)
Cash and cash equivalents at the beginning of the financial year		<u>6,119,362</u>	<u>6,731,306</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>7,645,874</u></u>	<u><u>6,119,362</u></u>

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

**Note 1. General information**

The following notes are disclosed to assist with understanding the preliminary financial report and are not intended to include all notes that will accompany the audited financial statements.

This preliminary financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The entity is involved in significant expansionary activity and as such, is currently cash absorbing. During the period the entity incurred a profit before tax of \$1,045,955 (FY20: loss of \$1,272,296) and had net cash outflows from operating activities of \$6,375,096 (FY20: outflow of \$3,527,992). As at 30 June 2021 the entity had cash and cash equivalents of \$7,645,874 (FY20: \$6,119,362).

The directors have approved a cash flow forecast which includes further expansionary activities in the production of new-make spirit for the FY2022 year which will absorb cash throughout FY2022 and beyond. Due to having no current contracted or legal obligations to increase production or undertake expansionary capital expenditure, the entity has the ability to undertake mitigating actions in response to any cash flow uncertainties or potential risks that may arise after the date of this report. Such actions include ceasing or reducing the level of expansionary whisky production, and the deferral or suspension of non-critical capital expenditure.

At the date of this report and having considered the current cash balance, cash flow forecasts and mitigating plans, the directors are confident that the Group will be able to continue as a going concern.

**Note 2. Revenue**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Whisky revenue	11,705,953	4,765,509
Gin revenue	3,764,285	1,360,944
Other revenue	1,072,746	1,175,683
	<u>16,542,984</u>	<u>7,302,136</u>

**Revenue recognition**

The Group recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and returns, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined and consistently applied using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Sale of goods*

Revenue derived from all sale of inventories to customers are recognised at the time of delivery, except for online sales which are recognised on dispatch of goods.

**Note 2. Revenue (continued)**

All revenue is stated net of the amount of goods and services tax (GST).

*Interest*

Interest revenue 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.

*Other revenue*

Other revenue is a combination of Hospitality sales of Non-Lark products, as well as Slainte, Brandy, Rum & Sanitiser and is recognised when it is received or when the right to receive payment is established.

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
R&D grant income	92,878	30,185
Government grant income	451,000	336,457
Excise rebates	100,000	100,000
Gain on sale of Overeem brand	-	165,000
Other income	79,144	117,161
	<u>723,022</u>	<u>748,803</u>
Other income	<u>723,022</u>	<u>748,803</u>

*Government grant income*

Government grant income relates to \$351,000 of JobKeeper and \$100,000 of Cashflow Boost payments received in response to COVID-19.

*Gain on sale of Overeem brand*

On 19 February 2020 the Group executed a binding Heads of Agreement with Sawford Distillery Pty Ltd for the sale of the Overeem Single Malt Whisky trademark and limited whisky inventory.

**Note 4. Profit / loss before income tax expense**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<b>Profit / loss before income tax determined after</b>		
Cost of goods sold	(7,888,608)	(3,260,042)
Directors and consulting fees	(1,016,443)	(1,042,725)
Selling and marketing expenses	(1,889,273)	(824,857)
Legal fees	(120,634)	(336,307)
Occupancy costs	(337,428)	(234,674)
Transport, travel and entertainment	(132,912)	(98,840)
	<u>(11,385,298)</u>	<u>(5,797,445)</u>

**Note 5. Depreciation and amortisation**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Depreciation of property, plant and equipment	97,304	48,097
Amortisation of intangibles	17,895	47,135
Depreciation of right-of-use assets	90,599	31,836
	<u>205,798</u>	<u>127,068</u>
Depreciation capitalised into inventory	<u>235,785</u>	<u>171,406</u>

**Note 6. Finance income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Interest income	<u>2,167</u>	<u>19,117</u>

**Note 7. Finance costs**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Interest expense	259,563	147,672
Bank and other fees	11,780	39,601
	<u>271,343</u>	<u>187,273</u>

**Note 8. Income tax benefit**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax benefit</i>		
Deferred tax - origination and reversal of temporary differences	(2,395,520)	-
Aggregate income tax benefit	<u>(2,395,520)</u>	<u>-</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 17)	(2,395,520)	-
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Profit/(loss) before income tax benefit	1,045,955	(1,272,296)
Tax at the statutory tax rate of 26% (2020: 27.5%)	271,948	(349,881)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	144,668	148,687
R&D offset income	(23,684)	(8,300)
Cashflow boost	(26,000)	-
Other	38,317	-
	405,249	(209,494)
Tax losses not recognised	-	209,494
Prior period tax losses now recognised	(2,321,500)	-
Year 1 deferred tax assets and liabilities now recognised	(479,269)	-
Income tax benefit	<u>(2,395,520)</u>	<u>-</u>

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 17)	(105,584)	-
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	18,177,860	27,106,708
Potential tax benefit @ 26% (2020: 27.5%)	4,726,244	7,454,345

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed and future taxable profits are available to offset against the carry forward tax losses.

The franking account balance as at 30 June 2021 was NIL (June 2020: NIL).

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Cash on hand	2,410	3,767
Cash at bank	7,643,464	6,115,595
	<u>7,645,874</u>	<u>6,119,362</u>

*Accounting policy for cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Trade receivables	2,306,857	1,228,265
Other receivables	40,609	110,554
Expected future credit losses	(8,082)	(20,828)
Deposits paid	55,561	46,124
	<u>2,394,945</u>	<u>1,364,115</u>

*Accounting policy for trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

**Note 11. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Raw materials - at cost	1,726,275	1,486,300
Work in progress - at cost	2,226,867	784,961
Finished goods - at cost	1,163,852	346,094
Inventory in casks	2,801,691	2,332,695
Provision for obsolescence	(161,506)	-
	<u>7,757,179</u>	<u>4,950,050</u>

*Accounting policy for inventories*

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Work in progress inventory reflects whisky and gin currently in production but not yet bottled or barrelled.

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.

**Note 12. Current assets - Prepaid assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Prepaid wood	98,716	-
Prepaid packaging and other	609,373	21,244
	<u>708,089</u>	<u>21,244</u>

**Note 13. Non-current assets - inventories**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Inventory in casks	18,064,721	14,329,411

Non-current inventory represents whisky in casks that is expected to be maturing for at least a further 12 months. The company does not expect these casks to be decanted or sold within the next 12 months.

**Note 14. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Land - at cost	4,564,644	4,564,644
Impairment	(529,683)	(529,683)
	<u>4,034,961</u>	<u>4,034,961</u>
Building improvements - at cost	515,743	166,885
Less: Accumulated depreciation	(66,265)	(11,421)
	<u>449,478</u>	<u>155,464</u>
Plant, equipment & production assets - at cost	4,345,421	3,689,468
Less: Accumulated depreciation	(1,097,433)	(888,931)
	<u>3,247,988</u>	<u>2,800,537</u>
Motor vehicles - at cost	154,044	154,044
Less: Accumulated depreciation	(92,800)	(82,639)
	<u>61,244</u>	<u>71,405</u>
Capital work in progress	640,649	845,250
	<u>8,434,320</u>	<u>7,907,617</u>

**Accounting policy for property, plant and equipment**

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.



**Note 14. Non-current assets - property, plant and equipment (continued)**

Freehold land is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit and loss.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Freehold improvements	2.5%
Office and computer equipment	25% - 33%
Plant, machinery & production assets	5% - 33%
Motor vehicles	10% - 20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

**Note 15. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	1,766,452	238,766
Less: Accumulated depreciation	(122,595)	(31,836)
	<u>1,643,857</u>	<u>206,930</u>

*Accounting policy for 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.

**Note 16. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	10,934,839	10,934,839
Intangible assets - at cost	474,845	461,752
Less: Accumulated amortisation	<u>(185,170)</u>	<u>(167,276)</u>
	289,675	294,476
	<u>11,224,514</u>	<u>11,229,315</u>

*Accounting policy for 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.

*Goodwill*

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
  - (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
  - (iii) the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**Note 16. Non-current assets - intangibles (continued)**

*Other intangible assets*

Other intangible assets including patents and trademarks and the whisky barrel fund, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Intangible asset	Useful life
Intangible assets	5-8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Note 17. Non-current assets - deferred tax**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax liabilities comprises taxable temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Fixed assets and right of use assets	(530,099)	-
Prepayments	(27,955)	-
	<hr/>	<hr/>
Total deferred tax liability recognised in profit or loss	<u>(558,054)</u>	<u>-</u>

**Note 17. Non-current assets - deferred tax (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises deductible temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	2,122,071	-
Provisions and accruals	148,970	-
Other liabilities	443,389	-
Capital raising costs	226,543	-
Foreign exchange	12,601	-
	<hr/>	<hr/>
Total deferred tax asset recognised in profit or loss	2,953,574	-
Amounts recognised in equity:		
Transaction costs on share issue	105,584	-
	<hr/>	<hr/>
Net deferred tax asset	<u>2,501,104</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	-
Credited to profit or loss (note 8)	2,395,520	-
Credited to equity (note 8)	105,584	-
	<hr/>	<hr/>
Closing balance	<u>2,501,104</u>	<u>-</u>

**Note 18. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,825,198	1,010,227
Sundry creditors and accrued expenses	488,299	1,377,569
Other payables	613,564	497,437
	<hr/>	<hr/>
	<u>2,927,061</u>	<u>2,885,233</u>

**Note 19. Current liabilities - financial liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Barrel Finance and Logistics	48,877	329,570
Motor vehicles lease	30,794	47,016
Lease liability	134,756	47,026
	<u>214,427</u>	<u>423,612</u>

*Accounting policy for financial liabilities*

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

**Note 20. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Employee benefits	<u>262,594</u>	<u>150,263</u>

*Accounting policy for employee benefits*

*Short-term employee benefits*

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the consolidated group to employee superannuation funds and are charged as expenses when incurred.

**Note 21. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Loan - Quality Life Pty Ltd	<u>5,000,000</u>	<u>5,000,000</u>

The key terms of the loan are as follows:

- Facility amount up to AUD \$5,000,000 (fully drawn as at 30 June 2021);
- Term is 5 years after initial drawdown (initial drawdown in March 2020);
- Interest rate of 4% per annum plus the RBA published cash rate paid quarterly;
- Interest only loan with principal due at the end of the term.

**Note 21. Non-current liabilities - borrowings (continued)**

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Loan - Quality Life Pty Ltd	<u>5,000,000</u>	<u>5,000,000</u>

*Assets pledged as security*

The loan is secured by a registered security interest in real property and whisky held by the Group.

**Note 22. Non-current liabilities - financial liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Lease liability	<u>1,534,163</u>	<u>176,060</u>

**Note 23. Equity - issued capital**

	<b>2021</b>	<b>Consolidated</b>		<b>2020</b>
	Shares	2020	2021	2020
		Shares	\$	\$
Ordinary shares - fully paid	<u>63,069,350</u>	<u>54,452,878</u>	<u>58,498,886</u>	<u>49,475,985</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2019	1,630,579,441		49,361,969
Issue of shares to settle liabilities	16 March 2020	2,297,436	\$0.039	89,600
Issue of shares to settle liabilities	16 March 2020	718,121	\$0.034	24,416
Consolidation of shares on 30 for 1 basis	28 April 2020	<u>(1,579,142,120)</u>	\$0.000	-
Balance	30 June 2020	54,452,878		49,475,985
Issue of shares	23 September 2020	8,052,334	\$1.100	8,857,567
Issue of shares on conversion of Performance Rights	7 January 2021	150,000	\$0.000	-
Issue of shares on exercise of unlisted options	12 March 2021	138,046	\$0.900	124,241
Issue of shares on exercise of unlisted options	26 March 2021	138,046	\$1.125	155,302
Issue of shares on exercise of unlisted options	15 April 2021	138,046	\$1.350	186,362
Transactions costs for period		-	\$0.000	<u>(300,571)</u>
Balance	30 June 2021	<u>63,069,350</u>		<u>58,498,886</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Note 23. Equity - issued capital (continued)**

*Share buy-back*

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

**Note 24. Equity - reserves**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Foreign currency reserve	48,464	48,088
Share-based payments reserve	1,052,040	495,624
	<u>1,100,504</u>	<u>543,712</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 25. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Accumulated losses at the beginning of the financial year	(12,642,599)	(11,370,303)
Profit/(loss) after income tax benefit for the year	3,441,475	(1,272,296)
Accumulated losses at the end of the financial year	<u>(9,201,124)</u>	<u>(12,642,599)</u>

**Lark Distilling Co. Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 26. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Australian Whisky Holdings Bothwell Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Australian Whisky Holdings Services Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Australian Whisky Holdings Management Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited)	Beijing PRC 100022	100.00%	100.00%
Australian Whisky Holdings (HK) Limited (former name Montec International (HK) Limited)	Kowloon, Hong Kong	100.00%	100.00%
Lark Distillery Pty Ltd	40 Denholms Road, Cambridge, TAS 7170	100.00%	100.00%

**Note 27. Reconciliation of profit/(loss) after income tax to net cash used in operating activities**

	Consolidated	
	2021 \$	2020 \$
Profit/(loss) after income tax benefit for the year	3,441,475	(1,272,296)
Adjustments for:		
Depreciation and amortisation	205,798	298,492
Movement in deferred taxes recognised to equity	105,584	-
Payables settled via share issue	-	114,016
Non-cash share based payments	556,792	496,071
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,884,981)	(862,490)
Increase in inventories	(6,542,439)	(4,503,373)
Increase in deferred tax assets	(2,501,104)	-
Decrease/(increase) in prepayments	(686,845)	18,124
Increase in other provisions	51,892	29,110
Decrease in financial assets	-	300,000
Decrease/Increase in trade creditors and accruals	878,732	1,854,354
Net cash used in operating activities	<u>(6,375,096)</u>	<u>(3,527,992)</u>