Mighty Craft Limited and its Controlled Entities
Appendix 4E
Preliminary final report

1 Company Information

Name of entity:	MIGHTY CRAFT LIMITED
ABN:	13 622 810 897
Reporting period:	For the financial year ended 30 June 2023
Previous period:	For the financial year ended 30 June 2022

2 Results for Announcement to the Market

				$'000
Revenue from ordinary activities	up	40.1%	to	96,081
(Loss) / Profit for the financial year attributable to the owners of Mighty Craft Limited	up	N/A	to	6,099

Dividends

The consolidated entity does not propose to pay a dividend.
No dividend or distribution plans are in operation.

Comments

The profit for the consolidated entity after taxes and non-controlling interest amounted to $6.1 million (2022: loss of $20.6 million).

For further information refer to:
- Consolidated Financial Statements for the year ended 30 June 2023 (attached)
- Investor presentation

3 Net Tangible Assets

	Reporting Period $	Previous Period $
Net tangible assets per ordinary share	0.06	0.04

4 Gain of control over entities

During the financial year, the consolidated entity gained control over the following entities:

Name of entities (or groups of entities)	Date control gained
Mismatch Brewhouse	4-Oct-22

	$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(280)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	N/A

5 Loss of control over entities

As a result of a restructuring of shareholdings, during the year the consolidated entity lost accounting control over Better Beer Company Pty Ltd. The consolidated entity's pass through ownership stake is 33%.

6 Details of Associates and Joint Venture Entities

	Reporting Entity's Percentage Holding		Contribution to Profit/(Loss)	
Name of associate / joint venture	Reporting Period %	Previous Period %	Reporting Period $'000	Previous Period $'000
Poison Creek Distillery Pty Ltd (Brogan's Way)	45%	45%	(113)	(141)
SauceCo (FNQLD) Pty Ltd	25%	25%	(143)	(79)
Sparkke Group Holdings Pty Ltd*	0%	32%	-	(368)
Better Beer Company Pty Ltd**	33%	58%	-	N/A
Consolidated entity's aggregate share of associates and joint venture entities' profit/(loss)			(256)	(588)

* Shareholding in Sparkke Group Holdings formed part of the consideration for the acquisition of Mismatch Brewhouse on 4th October 2022.
** Company became an associate on 30th June 2023, pursuant to a restructure of shareholdings resulting in a loss of control of subsidiary.

7 Audit Qualification or Review

The financial statements were subject to an audit, and an unqualified opinion has been issued.

8 Attachments

Details of attachments (if any):

The consolidated financial statements for the year ended 30 June 2023 is attached.

9 Events after the reporting period

Post 30 June 2023, the following significant event occurred:

a) On 31st July 2023, the Company executed a binding agreement for the sale of 100% of Jetty Road Brewery Pty Ltd.

b) On 2nd August 2023, the Company executed a binding agreement with its senior lender, Pure Asset Management, with a number of amendments to the existing facility agreement. Key terms agreed primarily allow the company flexibility and time to execute the key pillars of the strategic review in an orderly manner. These terms include:
- Covenant relief for H1 FY2024 including waiver of any penalty interest due.
- 75% of interest charges relating to H1 FY2024 to be capitalised onto the loan balance.
- Flexibility to allow bridging finance loan to be executed.

In return for the increased flexibility and liquidity support, the company has agreed to the following increase in the cost of funding:
- Base interest rate increase from 8.5% to 11.5% from H1 FY2024.
- Increase in the exit cost of the royalty agreement of 5.5 times the trailing 12 months of royalty payments.

c) On 18th August 2023, the Company secured an additional $5m in short-term debt funding from a private family office funding entity. The loan has a 6 month term with interest capitalised onto the loan on final repayment in February 2024.
The loan allows the company flexibility and time to execute the key pillars of the strategic review in an orderly manner.

Apart from the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

10 Authority for release

Chris Malcolm
Chairman
Date: 29 August 2023

Consolidated Financial Statements

30 June 2023

Mighty Craft Ltd and its controlled entities
ACN 622 810 897

Consolidated Financial Statements
for the year ended 30 June 2023

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Directors' Report

The directors of Mighty Craft Limited ("the Company") present their report, together with the financial statements, on the Company and its controlled entities ("the Group") for the year ended 30 June 2023.

Directors
The following persons were directors of Mighty Craft Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Chris Malcolm	Non-Executive Chairman (appointed 25 May 2023)
Katie McNamara	Non-Executive Director (appointed 17 April 2023)
Trevor O'Hoy	Non-Executive Director (appointed 17 April 2023, resigned 25 August 2023)
Sean Ebert	Non-Executive Director
Robin Levison	Non-Executive Chairman (Resigned 21 November 2022)
Mark Haysman	Chief Executive Officer & Managing Director (Resigned 3 July 2023)
Stuart Morton	Executive Director (Resigned 6 March 2023)
Daniel Wales	Non-Executive Director (Resigned 30 June 2023)
John Hood	Non-Executive Director (Resigned 25 May 2023)

Company secretary
The following person was the Company Secretary of Mighty Craft Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Andrew Syme

Principal activities
Mighty Craft (ASX:MCL) is a craft beverage accelerator with a nationally diversified portfolio of craft beverages. It has built a unique infrastructure and distribution offering that enables the Company to scale production, distribution and sales as it seeks to become Australia's leading premium craft beverage Company. Mighty Craft is achieving its vision by strategically investing in craft beverage producers, with celebrated local brands, and providing them with leadership, growth capital and industry solutions to maximise brand awareness and accelerate growth, whilst achieving scale. Mighty Craft is proud to be taking local Australian craft beer and spirits brands to customers Australia wide and abroad.

The principal activities of the Group during the financial year were the operation of various breweries, distilleries, bars and restaurant businesses throughout Australia.

During the financial year there were no significant changes in the nature of those activities.

Review of operations
The consolidated profit of the Group after providing for income tax expense for the year ended 30 June 2023 amounted to $5.787 million (30 June 2022: Loss of $20.410 million). The profit attributable to the owners of Mighty Craft Ltd after providing for income tax amounted to $6.099 million (30 June 2022: loss of $20.644 million).

Profit & Loss from continuing operations			
A$ million	**FY23**	**FY22**	***% Change***
Revenue	82.5	55.7	48%
Gross margin	22.6	18.1	25%
Gross margin %	27.4%	32.5%	(5) pps
EBITDA	17	-12	NA
EBIT	14.1	-14.3	NA
Underlying EBITDA[1]	-6.2	-6.3	0.1

1 Underlying EBITDA is a non IFRS measure that management believe is an important measure of performance and removes one-off items including fair value gain on Better Beer, goodwill impairment, share based payments, redundancy and restructuring costs and other one off non-recurring items.

During FY23, Mighty Craft delivered revenue growth of 48% versus pcp, driven largely by strong underlying growth across the Company's wholesale channel (+45%). Brand performance was mixed with key growth drivers being Better Beer (+145%) 78 Degrees (+31%) and Seven Seasons (+12%). The remainder of brands were broadly flat, in aggregate. These results were delivered against a backdrop of category declines in Craft Beer (-5.4%) and Gin (-7.4%) reflecting encouraging market share gains.

Gross margins declined versus pcp, largely driven by the ongoing mix-shift within the Company. Specifically, the ongoing growth of Better Beer continues to shift mix away from spirits, a typically higher margin segment. Better Beer sales made up ~60% of total sales in FY23, versus ~41% in FY22. Beyond this, ongoing inflation across Beer / Cider also impacted gross margins. The Company did increase prices on 1st August 2022 and also took select price increases on 1 February 2023, although was unable to fully recover the inflationary impact.

Gross margins within spirits remained relatively stable at ~35.2% during FY23, reflecting the higher margin profile, further aided by a ~5% price increase on 1 August 2022. Inflationary impacts observed across the spirits business was not as severe as witnessed within beer / cider. Lastly, venue gross margins were 69% with pricing increases passing the impact of inflation onto consumers.

Overall operating conditions deteriorated over the course of FY23 as cost of living and inflation impacted consumer spending. Craft beer declined ~5.4% for FY23,after a significant period of double-digit growth in the preceding years. Mainstream beer grew 0.8% for the full year, accelerating to 9.1% during H2 FY23, with a further acceleration during Q4. The gin category declined 7.4% for FY23 while Whisky and Vodka reflected marginal declines during the year. The individual brand performance is shown below.

Wholesale revenue growth versus pcp			
Better Beer	135%	78 Degrees	22%
Jetty Road	-1%	Seven Seasons	12%
Mismatch	-1%	Kangaroo Island Spirits	-8%
Hills Cider	4%		
Beer / Cider	**73%**	**Spirits**	**7%**

Directors' Report

Review of operations (continued)
Venue performance also softened during H2 FY23, despite a relatively robust H1. Overall venue profitability delivered 14.1% EBITDA, notwithstanding venues continue to be a smaller contribution of the overall Company performance given the growth in wholesale revenues.

Group venue performance			
AU$	**FY23**	**FY22**	***% Change***
Revenue	11.3	8.9	26.4%
Gross margin	7.6	5.9	27.9%
Gross margin %	67.3%	66.4%	0.8%
EBITDA	1.6	0.9	69.6%

There are two core priorities coming out of the strategic review as announced to the ASX on the 11th July 2023.

Priority number one is to restructure the cost base of the organization to ensure a medium-term pathway to sustainable earnings. There are three phases of this initial piece of work;
•Phase 1 - $4.9million removed from head office costs and discretionary spend – complete.
•Phase 2 - $4.9 million in further savings across head office and corporate costs – H1 FY24.
•Phase 3 - $1.5 million in further supply chain consolidation savings – H2 FY24.

Priority number two is expanding the divestment program to materially reduce debt. This will allow the completion of the restructuring plan and recapitalisation of the business. This phase is targeting $25 to $45 million in divestments to allow the reduction in the senior debt facility, repayment of the bridging loan and improvement in the trade payables position. These two streams of work will ensure that the business can materially reduce debt and ensure a medium-term path to sustainable earnings.

The divestment process is ongoing and there has been interest in a number of the Company's assets including both medium-sized branded assets along with larger assets. The sale of Jetty Road was announced to the ASX on the 31st of July 2023 and the company is in ongoing discussions around a number of both smaller and larger assets. The Company will continue to consider offers for assets that are consistent with the outcomes of the strategic review and that make sense for Mighty Craft shareholders.

The Company has outlined its funding plan as part of the strategic review, and this also consists of a number of phases. The first phase was to secure the short-term funding runway to execute the divestment program in an orderly fashion. This has been secured with the recent announcement to the ASX on the 18th of August that outlined a ~$5.0 million bridging debt facility that is repayable on the 18th of February 2024. This bridging loan gives the company time to execute the next phases of the divestment program. The company is targeting $10.0 million from near-term divestments (including Jetty Road) and then between $25.0 million and $45.0 million from larger divestments over the course of the next six to nine months.

Matters subsequent to the end of the financial year
Post 30 June 2023, the following significant events occurred:

a) On 31st July 2023, the Company executed a binding agreement for the sale of 100% of Jetty Road Brewery Pty Ltd.

b) On 2nd August 2023, the Company executed a binding agreement with its senior lender, Pure Asset Management, with a number of amendments to the existing facility agreement. Key terms agreed primarily allow the company flexibility and time to execute the key pillars of the strategic review in an orderly manner. These terms include:
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In return for the increased flexibility and liquidity support, the company has agreed to the following increase in the cost of funding:
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The loan allows the company flexibility and time to execute the key pillars of the strategic review in an orderly manner.

Apart from the above, 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.

Significant changes in the state of affairs
In October 2022, Mighty Craft Limited acquired the leasehold and business assets of the venue formerly known as the Whitmore in Adelaide . The venue was previously owned and operated by Sparkke Pubs Pty Ltd, a subsidiary of Sparkke Group Holdings Pty Ltd which Mighty Craft held a 32% shareholding in.

As consideration for taking over the leasehold and business assets, Mighty Craft agreed to forgive the convertible notes held in Sparkke (carrying value of $600,000) and agreed to cancel it's shareholding in Sparkke Group Holdings Pty Ltd. The carrying value of Mighty Craft's investment in Sparkke at the time of acquisition was $1,537,000.

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

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in the report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' Report

Information on directors

Name:	**Chris Malcolm (Appointed 25 May 2023)**
Title:	Non-Executive Chairman
Qualifications:	Chris holds a Diploma Company Director from University of New England and is an Accredited Franchise Executive through the Franchise Council of Australia.
Experience and expertise:	Chris has a diverse background across various industries including distilling, franchising and property management. He currently services as Chair of several companies including Whipper Snapper Distillery Pty ltd and previously served as executive Chair of Lark Whisky Pty Ltd. Chris was also a founding investor and Director of Topshelf International. With his extensive knowledge and experience in the broader spirits industry, Chris was previously a member of the Australian Distillery Association's committee.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Board
Interests in shares:	20,760,718
Interests in performance rights:	Nil
Contractual rights to shares:	1,500,000 warrants

Name:	**Katie McNamara (Appointed 17 April 2023)**
Title:	Non-Executive Director
Qualifications:	Bachelor of Pharmacy Degree, and Master of Business Administration from Melbourne Business School where she was a Rupert Murdoch Scholar. Executive programs in Digital Marketing at INSEAD and both Digital Transformation and Marketing programs at Harvard Business School.
Experience and expertise:	Katie has over 25 years of consulting and Senior Executive experience, focused on developing and implementing Strategy, Growth, Innovation and large-scale transformational change. Katie has worked extensively across Asia, developing Market Entry strategy, defining and implementing Digital transformation with a particular focus on the customer facing elements of the business, primarily in Consumer products, manufacturing, industrials and pharma companies. Katie has held previous roles in both Consulting and Industry, Including IBM where she was Vice President Asia-Pacific for IBM, leading the Digital Strategy Business unit. She was the Chief Strategy Officer for Foster's Group / Treasury Wine estates and previously at McKinsey & Company.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in performance rights:	None
Contractual rights to shares:	689,656 fully paid ordinary shares under the Institutional Placement on 28 March 2023, subject to shareholder approval at the 2023 AGM.

Name:	**Trevor O'Hoy (Appointed 17 April 2023, resigned 25 August 2023)**
Title:	Non-Executive Director
Qualifications:	Bachelor of Economics Degree from Monash University and a graduate of the AASC Middle Management Program at Mount Eliza as well as the Harvard Advanced Management Program for international managers.
Experience and expertise:	Former Chief Financial Officer and Managing Director of Carlton and United Breweries, culminating in Trevor serving as Chief Executive Officer through 2004-2008. Trevor has extensive board experience including directorships at Stone and Wood Brewing Company (up to and including its sale to global beverage company Lion), and was previously chair of Maggie Beer Products, Redcape Property Fund, Monash University Campaign and was the Executive Chair of Swisse Wellness Products. Trevor is currently sits as Chairman of the Pointing Foundation and Peak Equities Property Group.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,724,138
Interests in performance rights:	None
Contractual rights to shares:	None

Name:	**Sean Ebert**
Title:	Non-Executive Director
Qualifications:	Bachelor of Engineering with honours from the University of South Australia and Member of the Australia Institute of Company Directors
Experience and expertise:	Over 25 years executive experience in public and private sectors. Currently holds a number of directorships including AML3D, FCT Holdings and MLEI Consulting Engineers. Previously CEO of Beston Global Food Company, Camms Pty Ltd and Profit Impact Pty Ltd.
Current directorships:	AML3D Ltd (ASX: AL3)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	140,000
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Directors' Report

'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 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Andrew Syme (CPA) currently serves as the Company Secretary. He has over 20 years experience and has held senior finance and governance roles with a number of entities including Mondelez International, Kraft Foods Group and Cadbury. Andrew is a Certified Practising Accountant.

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

	Full board	
	Attended	Held
Chris Malcolm	2	2
Katie McNamara	3	3
Trevor O'Hoy	3	3
Sean Ebert	12	12
Robin Levison	4	4
Mark Haysman	12	12
Stuart Morton	9	9
Daniel Wales	12	12
John Hood	10	10

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Post listing on the ASX, board meetings were held monthly.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness with respect to the scale of the Group's business, the executive's core performance requirements, and industry labour market conditions
- acceptability to shareholders
- alignment of executive compensation with individual and corporate performance

During the financial year, a Remuneration sub-committee was established and is responsible for determining and reviewing remuneration arrangements for its directors and executives. The Remuneration sub-committee recognises that the performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Directors' Report

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors generally do not receive share options or other incentives linked to performance.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- fixed remuneration
- performance-based remuneration
- equity-based remuneration
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Performance-based remuneration, or short-term incentives ('STI') are designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, leadership contribution and other strategic contributions.

Equity-based remuneration, or long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of two or more years based on long-term incentive measures. These include increases in shareholders value relative to the entire market and the increase compared to the Group's direct competitors.

Group performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group, or the performance of specific subsidiaries. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of key metrics considered for the last three years.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants
During the financial year ended 30 June 2023, the Group, through the Board, engaged an external remuneration consultant to review its existing remuneration policies. The Board retains its right to use external remuneration consultants in the future.

Voting and comments made at the company's 2022 Annual General Meeting ('AGM')
At the 21 November 2022 AGM, 99.37% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

The key management personnel of the Group consisted of the following directors of Mighty Craft Limited:
- Chris Malcolm - Non-Executive Chairman (Appointed 25 May 2023)
- Katie McNamara - Non-Executive Director (Appointed 17 April 2023)
- Trevor O'Hoy - Non-Executive Director (Appointed 17 April 2023, resigned 25 August 2023)
- Sean Ebert - Non-Executive Director
- Robin Levison - Non-Executive Chairman (resigned 21 November 2022)
- Mark Haysman - Chief Executive Officer & Managing Director (Resigned 3 July 2023)
- Stuart Morton - Executive Director (Resigned 6 March 2023)
- Daniel Wales - Non-Executive Director effective 1 July 2022 (Resigned 30 June 2023)
- John Hood - Non-Executive Director (Resigned 25 May 2023)

And the following persons:
- Andrew Syme - Chief Financial Officer and Company Secretary
- Jessica Lyons - Acting Chief Executive Officer (Appointed 30 June 2023)

Directors' Report

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Termination Benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Termination Benefits	Equity-settled performance rights	Total
2023	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Chris Malcolm (Chairman)*	-	-	-	-	-	-	-	-
Katie McNamara*	-	-	-	-	-	-	-	-
Trevor O'Hoy*	-	-	-	-	-	-	-	-
Sean Ebert	67,191	-	-	-	-	-	-	67,191
Robin Levison*	45,833	-	-	-	-	-	-	45,833
John Hood*	82,500	-	-	-	-	-	-	82,500
Dan Wales	60,500	-	-	13,755	-	213,773	-	288,028
Executive Directors:								
Mark Haysman	464,105	65,000	-	27,500	-	-	787,920	1,344,525
Stuart Morton*	201,021	15,000	-	22,073	-	-	-	238,094
Other Key Management Personnel:								
Andrew Syme	291,200	20,000	-	25,292	-	-	88,562	425,054
Jessica Lyons	273,198	10,000	-	25,292	-	-	117,258	425,748
	1,485,548	110,000	-	113,912	-	213,773	993,740	2,916,974

* Represents remuneration for the period under Directorship during the financial year

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled performance rights	Total
2022	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Robin Levison (Chairman)	98,333	-	-	-	-	-	-	98,333
John Hood	60,000	-	-	-	-	-	-	60,000
Sean Ebert*	57,314	-	-	-	-	-	-	57,314
Executive Directors:								
Mark Haysman	381,020	-	-	29,460	-	-	298,524	709,004
Stuart Morton	191,020	-	-	19,000	-	-	16,550	226,570
Daniel Wales	261,007	-	-	26,023	-	-	22,647	309,677
Other Key Management Personnel:								
Andrew Syme	286,200	-	-	24,551	-	-	218,454	529,205
	1,334,894	-	-	99,034	-	-	556,175	1,990,103

* Represents remuneration from 19 July 2021 to 30 June 2022

Directors' Report

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Chris Malcolm (Chairman)	100%	-	-	-	-	-
Katie McNamara	100%	-	-	-	-	-
Trevor O'Hoy	100%	-	-	-	-	-
Sean Ebert	100%	100%	-	-	-	-
Robin Levison	100%	100%	-	-	-	-
John Hood	100%	100%	-	-	-	-
Dan Wales	100%	93%	-	-	-	7%
Executive Directors:						
Mark Haysman	36%	58%	5%	-	59%	42%
Stuart Morton	94%	93%	6%	-	-	7%
Other Key Management Personnel:						
Andrew Syme	74%	59%	5%	-	21%	41%
Jessica Lyons	70%	-	2%	-	28%	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Jessica Lyons
Title:	Acting Chief Executive Officer
Agreement commenced:	15 October 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $365,000 plus superannuation, to be reviewed annually by the Board. 3 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Andrew Syme
Title:	Chief Financial Officer
Agreement commenced:	2 December 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $290,000 plus superannuation, to be reviewed annually by the Board. 3 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
No shares have been issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Options
There were no options on issue during the year ended 30 June 2023.

Directors' Report

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Grant date	Vesting date	Expiry date	Fair value per right at grant date	Number of rights granted	Value of rights granted ($)
Mark Haysman	21/11/2022	30/06/2024	21/11/2037	0.04	1,281,517	55,105
Mark Haysman	21/11/2022	30/06/2024	21/11/2037	0.21	854,345	179,412
Mark Haysman	21/11/2022	30/06/2025	21/11/2037	0.13	2,739,167	350,613
Mark Haysman	21/11/2022	30/06/2025	21/11/2037	0.21	1,826,111	383,483
Mark Haysman	21/11/2022	28/02/2023	21/11/2037	0.21	3,752,000	787,920
Mark Haysman	21/11/2022	30/06/2025	21/11/2037	0.21	1,848,000	388,080
Andrew Syme	01/07/2022	30/06/2024	01/07/2037	0.04	341,380	13,655
Andrew Syme	01/07/2022	30/06/2024	01/07/2037	0.18	227,586	39,828
Andrew Syme	18/10/2022	30/06/2025	18/10/2037	0.07	793,750	58,738
Andrew Syme	18/10/2022	30/06/2025	18/10/2037	0.15	529,167	79,375
Jessica Lyons	01/07/2022	30/06/2024	01/07/2037	0.04	317,793	12,712
Jessica Lyons	01/07/2022	30/06/2024	01/07/2037	0.18	211,862	37,076
Jessica Lyons	18/10/2022	30/06/2025	18/10/2037	0.07	599,000	44,326
Jessica Lyons	18/10/2022	30/06/2025	18/10/2037	0.15	399,333	59,900
Jessica Lyons	15/08/2022	30/06/2023	15/08/2037	0.19	10,000	1,925

Additional information
The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023 $	2022 $	2021 $	2020 $	2019 $
Sales revenue	96,081,000	68,574,075	29,283,943	9,221,807	3,994,332
Total income	126,376,000	70,663,188	31,270,236	10,434,747	4,002,956
EBITDA	13,357,920	(13,585,268)	(12,246,297)	(7,835,194)	(1,437,850)
EBIT	10,484,470	(17,289,592)	(13,925,097)	(8,774,473)	(1,676,188)
Profit/(loss) after income tax attributable to owners of Mighty Craft Ltd	6,098,527	(20,644,048)	(15,001,102)	(8,516,682)	(1,526,159)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019
Share price at financial year end ($)	0.07	0.17	0.35	0.26	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	1.82	(6.67)	(10.44)	(8.76)	(6.19)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Exercised Performance Rights	On-Market Trade	Received as part of remuneration	Disposal / Transfer	Balance at the end of the year
Ordinary shares						
Chris Malcolm	20,760,718	-	-	-	-	20,760,718
Katie McNamara	-	-	-	-	-	-
Trevor O'Hoy	-	-	1,724,138	-	-	1,724,138
Sean Ebert	90,000	-	50,000	-	-	140,000
Robin Levison	4,156,961	-	-	-	-	4,156,961
John Hood	2,594,729	-	330,000	-	-	2,924,729
Dan Wales	5,751,968	-	-	-	-	5,751,968
Mark Haysman	4,725,902	-	217,880	-	4,062,500	881,282
Stuart Morton	7,237,808	-	-	-	-	7,237,808
Andrew Syme	-	571,429	-	-	-	571,429
Jessica Lyons	70,572	-	-	-	-	70,572
	45,388,658	571,429	2,322,018	-	4,062,500	44,219,605

Directors' Report

Performance rights

The number of performance rights in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Performance rights					
Andrew Syme	1,839,832	1,891,883	-	571,429	3,160,286
Jessica Lyons	1,920,102	1,537,988	-	-	3,458,090
Mark Haysman	2,815,205	12,301,140	-	11,364,345	3,752,000
Stuart Morton	200,000	-	-	200,000	-
Daniel Wales	273,684	-	-	273,684	-
	7,048,823	15,731,011	-	12,409,458	10,370,376

Other transactions with key management personnel and their related parties

Outside of remuneration outlined above, there were no other transactions with key management personnel and their related entities during the financial year ending 30 June 2023.

This concludes the remuneration report, which has been audited.

Shares under performance rights

Unissued ordinary shares of Mighty Craft Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
07/10/2021	07/10/2026	$0.00	485,421
22/02/2022	22/02/2037	$0.00	1,065,472
22/02/2022	22/02/2037	$0.00	710,318
22/02/2022	22/02/2037	$0.00	1,610,715
22/02/2022	22/02/2037	$0.00	928,571
22/02/2022	22/02/2037	$0.00	2,448,276
22/02/2022	22/02/2037	$0.00	100,000
01/07/2022	01/07/2037	$0.00	1,985,589
01/07/2022	01/07/2037	$0.00	1,323,675
18/10/2022	18/10/2037	$0.00	4,935,750
18/10/2022	18/10/2037	$0.00	3,290,499
21/11/2022	21/11/2037	$0.00	3,752,000
15/08/2022	15/08/2037	$0.00	77,750
			22,714,036

No person entitled to exercise the performance rights had or has any right by virtue of performance rights to participate in any share issue of the Group.

Shares issued on the exercise of performance rights

571,429 shares of Mighty Craft Limited were issued on the exercise of performance rights during the year ended 30 June 2023 (2022: 0) and up to the date of this report.

Indemnity and insurance of officers

Mighty Craft Limited has indemnified the directors and executives 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, Mighty Craft Limited paid a premium in respect of a contract to insure the directors and executives 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.

Indemnity and insurance of auditor

Mighty Craft Limited has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor or any related entity against a liability incurred by the auditor.

During the financial year, Mighty Craft Limited has not paid a premium in respect of a contract to insure the auditor any related entity.

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 Mighty Craft Limited, or to intervene in any proceedings to which Mighty Craft Limited is a party for the purpose of taking responsibility on behalf of Mighty Craft Limited for all or part of those proceedings.

Directors' Report

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 38 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

The directors are of the opinion that the services as disclosed in Note 38 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of RSM Australia Partners
There are no officers who are former partners of RSM Australia Partners, the auditor of Mighty Craft Limited.

Rounding of amounts
Mighty Craft Limited 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.

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.

Auditor
RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001* .

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

Chris Malcolm
Chairman

29 August 2023
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mighty Craft Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 29 August 2023
Melbourne, Victoria

Mighty Craft Limited and its controlled entities
ACN 622 810 897

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Note	30-Jun-23 $'000	30-Jun-22 $'000
Revenue from continuing operations	**5**	82,493	55,700
Share of profits/(losses) of associates accounted for using the equity method	**6**	(256)	(588)
Other income	**7**	188	1,520
Fair value gain on recognition of investment in associate	**36**	30,235	-
		112,660	**56,632**
Expenses			
Cost of sales		(59,921)	(37,622)
Employee benefits expense	**8**	(17,699)	(16,794)
Equipment hire and maintenance		(375)	(502)
Legal and professional fees		(1,604)	(3,163)
Selling and marketing expenses		(5,940)	(3,618)
Depreciation and amortisation expenses	**8**	(2,873)	(2,327)
Occupancy expenses		(1,122)	(1,192)
Travelling and conveyance		(820)	(549)
Share-based payments expense		(1,173)	(1,197)
Loss on extinguishment of financial liability		-	(1,230)
Fair value loss on derivative liability		(2,325)	-
Impairment of goodwill	**22**	(747)	-
Impairment of other assets	**8**	(1,100)	-
General and administration expenses	**8**	(2,850)	(2,773)
Finance costs	**8**	(4,677)	(2,182)
Profit / (Loss) before income tax expense from continuing operations		**9,434**	**(16,517)**
Income tax expense	**9**	(20)	(487)
Profit / (Loss) after income tax expense from continuing operations		**9,414**	**(17,004)**
Profit / (Loss) after income tax expense from discontinued operations	**10**	**(3,627)**	**(3,406)**
Profit / (Loss) after income tax expense for the year		**5,787**	**(20,410)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain / (loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(3,478)	344
Other comprehensive income for the financial year (net of tax)		**(3,478)**	**344**
Total comprehensive loss for the financial year		**2,309**	**(20,066)**
Profit / (Loss) for the financial year is attributable to:			
Non-controlling interest		(312)	234
Owners of Mighty Craft Ltd		6,099	(20,644)
		5,787	**(20,410)**
Total comprehensive income for the financial year is attributable to:			
Continuing operations		169	191
Discontinued operations		(481)	43
Non-controlling interest		**(312)**	**234**
Continuing operations		5,767	(16,851)
Discontinued operations		(3,146)	(3,449)
Owners of Mighty Craft Ltd		**2,621**	**(20,300)**
		2,309	**(20,066)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2023

		30-Jun-23 Cents	30-Jun-22 Cents
Earnings per share - basic and diluted (cents) from continuing operations attributable to the owners of Mighty Craft Ltd	**46**	**2.76**	**(5.55)**
Earnings per share - basic and diluted (cents) from discontinued operations attributable to the owners of Mighty Craft Ltd	**46**	**(0.94)**	**(1.11)**
Earnings per share - basic and diluted (cents) attributable to the owners of Mighty Craft Ltd	**46**	**1.82**	**(6.67)**

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

	Note	30-Jun-23 $'000	30-Jun-22 $'000
Current assets			
Cash and cash equivalents	**11**	3,654	3,737
Trade and other receivables	**12**	4,927	4,489
Inventories	**13**	6,731	9,690
Other current assets	**14**	890	4,655
		16,202	22,571
Assets of disposal groups classified as held for sale	**15**	10,972	10,186
		27,174	32,757
Non-current assets			
Receivables	**16**	105	305
Inventories	**13**	2,673	1,259
Investments accounted for under the equity method	**17**	32,087	2,501
Financial assets at fair value through profit and loss	**18**	53	1,553
Financial assets at fair value through other comprehensive income	**19**	109	3,588
Property, plant and equipment	**20**	11,030	13,290
Right-of-use assets	**21**	13,897	10,714
Intangible assets	**22**	47,072	46,550
Other non-current assets	**23**	1,076	776
		108,102	80,536
Total assets		**135,276**	**113,293**
Current liabilities			
Trade and other payables	**24**	20,436	11,649
Borrowings	**25**	85	234
Employee benefits	**26**	907	1,053
Lease liabilities	**27**	1,038	1,115
Provision for income tax		-	576
Provisions	**28**	391	688
Other current liabilities	**29**	455	2,105
		23,312	17,420
Liabilities directly associated with assets classified as held for sale	**30**	6,742	7,023
		30,054	24,443
Non-current liabilities			
Borrowings	**25**	16,350	14,195
Employee benefits	**26**	166	105
Lease liabilities	**27**	15,447	11,648
Provisions	**28**	84	69
Derivative financial instruments	**36**	5,967	2,755
		38,014	28,772
Total Liabilities		**68,068**	**53,215**
Net assets		**67,208**	**60,078**
Equity			
Issued capital	**31**	108,985	104,062
Retained earnings / (accumulated losses)	**32**	(43,237)	(48,998)
Investment revaluation reserve	**33**	(3,134)	344
Share-based payments reserve	**33**	4,036	2,973
Equity attributable to the owners of Mighty Craft Ltd		66,650	58,381
Non-controlling interest	**34**	558	1,697
Total equity		**67,208**	**60,078**

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	Retained profits / (accumulated losses)	Share-based payments reserve	Fair value reserve of financial assets at fair value through OCI	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	48,942	(25,657)	2,004	-	524	25,813
Loss after income tax expense for the year	-	(20,644)	-	-	234	(20,410)
Other comprehensive income for the year, net of tax	-	-	-	344	-	344
Total comprehensive income / (loss) for the year	-	(20,644)	-	344	234	**(20,066)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	55,120	-	-	-	(2,171)	**52,950**
Transfer (to) / from minority interests	-	(3,110)	-	-	3,110	**-**
Transfer (to) / from retained earnings	-	413	(413)	-	-	**-**
Share-based payments	-	-	1,382	-	-	**1,382**
Balance at 30 June 2022	**104,062**	**(48,998)**	**2,973**	**344**	**1,697**	**60,078**
Balance at 1 July 2022	104,062	(48,998)	2,973	344	1,697	60,079
Loss after income tax expense for the year	-	6,099	-	-	(312)	5,787
Other comprehensive loss for the year, net of tax	-	-	-	(3,478)	-	(3,478)
Total comprehensive income / (loss) for the year	-	6,099	-	(3,478)	(312)	**2,309**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	4,923	-	(177)	-	(1,165)	**3,581**
Transfer (to) / from minority interests	-	(338)	-	-	338	**-**
Share-based payments	-	-	1,240	-	-	**1,240**
Balance at 30 June 2023	**108,985**	**(43,237)**	**4,036**	**(3,134)**	**558**	**67,208**

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

	Note	30-Jun-23 $'000	30-Jun-22 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		108,098	77,625
Payments to suppliers and employees (inclusive of GST)		(111,005)	(87,196)
Job Keeper received		-	-
Other revenue		369	595
Income taxes paid		(226)	(116)
Interest and other finance charges paid		(3,183)	(1,819)
Net cash used in operating activities	**47**	**(5,947)**	**(10,911)**
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired		-	(25,884)
Payments for property, plant and equipment		(1,816)	(3,308)
Payments for intangibles		(393)	(467)
Payments for investments in other entities - ordinary shares		-	(96)
Payments for investments - convertible notes		-	(53)
Security deposits paid		-	(51)
Proceeds from disposal of investments - convertible notes		-	1,000
Proceeds from disposal of property, plant and equipment		109	3,550
Net cash outflow on loss of control of subsidiary		(27)	-
Net cash used in investing activities		**(2,127)**	**(25,309)**
Cash flows from financing activities			
Proceeds from issue of shares		5,070	34,643
Payments for purchase of shares from non-controlling interests in subsidiaries		-	(575)
Proceeds from issue of shares to non-controlling interests in subsidiaries		-	76
Transaction costs related to issue of shares		(324)	(2,834)
Transaction costs related to borrowngs		(533)	-
Proceeds from borrowings		6,300	5,895
Repayment of borrowings		(776)	(268)
Repayment of lease liabilities		(1,746)	(1,235)
Net cash from financing activities		**7,991**	**35,702**
Net increase / (decrease) in cash and cash equivalents		(83)	(518)
Cash and cash equivalents at beginning of the financial year		3,737	4,255
Cash and cash equivalents at end of the financial year	**11**	**3,654**	**3,737**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements
for the year ended 30 June 2023

1 General Information

(a) Reporting entity
The consolidated financial statements cover both Mighty Craft Limited ("the Company" or "the parent entity") as a consolidated entity consisting of Mighty Craft Limited and the entities it controlled at the end of, or during, the year ("the Group").

Mighty Craft Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is :

26 Cato Street
Hawthorn East
Victoria 3123
Australia

(b) 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, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

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 2.

The consolidated financial statements are presented in Australian dollars, which is Mighty Craft Limited's functional and presentation currency.

(c) New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by AASB that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) 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 42.

(e) Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group had net cash outflows from operating activities of $5.95 million for the year ended 30 June 2023, and as at that date had net current liabilities of $2.88 million.

The factors noted above indicate that there is a material uncertainty as to whether the Group may continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

1 General Information (continued)

(e) Going concern (continued)

Risk mitigation considerations
The following mitigating factors have been considered:

Asset divestment program
As disclosed in Note 10, the Group is in the process of an active asset divestment program on a number of non-core assets. The Group has had inbound interest on a number of its Beer, Cider & Spirits assets, including its equity stake in Better Beer, and is currently considering whether a full or partial sale of its equity stake in Better Beer is in the best interests of Mighty Craft shareholders.

Events subsequent to year end
As disclosed in Note 49, subsequent to the financial year-end:

•On 31 July 2023 the Group executed a binding agreement for the sale of 100% of Jetty Road Brewery, expected to settle in October 2023 for approx $3m.

•On 2 August 2023, the Group executed a binding agreement with its senior lender, Pure Asset Management, with a number of amendments to the existing facility agreement. The key terms agreed allow the company greater flexibility and time to execute the key pillars of the strategic review in an orderly manner. These terms include:
- Covenant relief for H1 FY2024 including waiver of any penalty interest due;
- 75% of interest charges relating to H1 FY2024 to be capitalised onto the loan balance; and
- Flexibility to allow the bridging finance loan mentioned above to be executed.

•On 18 August 2023, the Group secured an additional $5 million in debt funding from a private family office funding entity. The loan has a 6 month term with interest capitalised into the loan and payable on final repayment in February 2024. The loan allows the company flexibility and time to execute the key pillars of the strategic review in an orderly manner.

Restructure of the groups' cost base
The Group is on track to complete the necessary cost out initiatives as previously disclosed to the market. Phase 1 completed in Q4 FY2023 will deliver $4.4 million annualised cost savings, with Phase 2 to be completed in H1 FY2024 to deliver a further $3 million in annualised cost savings.

ATO Payment Plan
The Group is currently in discussions with the ATO regarding a payment plan arrangement on certain tax liabilities of the group, materially excise tax liability. The Company has received written confirmation from the ATO that until such time that the payment plan is finalised, the ATO will not enforce any overdue balances until at least 31 January 2024. As at 30 June 2023, $8.36 million outstanding ATO liabilities are subject to a proposed payment plan arrangement.

Access to Capital
As at 30 June 2023, the Group had cash reserves of $3.65 million. The directors believe the Group would be able to access additional funds from existing shareholders and new investors to support its strategic review initiatives should additional capital be required.

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

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

Notes to the consolidated financial statements
for the year ended 30 June 2023

2 Critical accounting estimates, assumptions and judgements

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 base their 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.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.
The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Estimation of useful lives of assets
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.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on either value-in-use calculations or the fair value less costs to sell approach. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

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.

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 and losses.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the consolidated financial statements
for the year ended 30 June 2023

2 Critical accounting estimates, assumptions and judgements (continued)

Business combinations
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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 were granted. The fair value is determined by using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions related 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. Refer to Note 50 for further information.

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 changes 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.

3 Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mighty Craft Limited ("the company" or "the parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Mighty Craft Limited and its subsidiaries together are referred to in these financial statements as the "Group".

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 are consistent 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 entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity 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 consolidated entity 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.

Notes to the consolidated financial statements
for the year ended 30 June 2023

3 Significant accounting policies (continued)

(b) 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 refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined 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 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.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

All revenues are stated net of the amount of goods and services tax (GST).

(c) 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.

3 Significant accounting policies (continued)

(c) Income tax (continued)

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.

Tax consolidation
Mighty Craft Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The parent entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the parent 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 parent entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

(d) Current and non-current classification
Assets and liabilities are presented in the consolidated 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.

(e) 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. For the consolidated statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statement of financial position.

(f) Trade and other receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. 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.

Other receivables are recognised at amortised cost, less any provision for expected credit loss.

Expected credit loss
The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowances. To measure expected credit losses, trade receivables have been grouped based on days overdue.

Notes to the consolidated financial statements

for the year ended 30 June 2023

3 Significant accounting policies (continued)

(g) Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to considerations. Contract assets are treated as financial assets for impairment purposes.

(h) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

(i) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

(j) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

(k) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3 Significant accounting policies (continued)

(l) 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, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(m) Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the profit or loss as incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Asset class	*Useful lives*
Buildings	30 years
Leasehold improvements	5 to 30 years
Plant and equipment	3 to 20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. An item of 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 the profit or loss as incurred.

3 Significant accounting policies (continued)

(n) 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.

(o) 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 arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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.

Intellectual property and trademarks
Significant costs associated with intellectual property and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging from 3 to 5 years.

(p) Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

(q) 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 of recognition.

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

Notes to the consolidated financial statements
for the year ended 30 June 2023

3 Significant accounting policies (continued)

(s) Refund liabilities
Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale, based on an expected value methodology.

(t) 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, the 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.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(u) Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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

(w) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(x) Employee benefits
Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements that are 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.

Long service leave liabilities payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Short-term employee benefits
Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave plus on costs. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the consolidated statement of financial position.

3 Significant accounting policies (continued)

(x) Employee benefits (continued)

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its consolidated statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(y) Issued capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares / options / performance rights are shown in equity as a deduction, net of tax, from the proceeds.

(z) Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the parent entity.

Notes to the consolidated financial statements
for the year ended 30 June 2023

3 Significant accounting policies (continued)

(aa) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree, and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree, is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 Consolidated Statement of Financial Position.

Cash flows are presented in the Consolidated Statement of Cash Flows 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 ATO.

3 Significant accounting policies (continued)

(ac) Foreign currency

Functional and presentation currency

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Australian dollars which is the functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in Other Comprehensive Income.

(ad) Rounding of amounts

The Group 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.

(ae) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(af) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Mighty Craft Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued 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.

Disclosure of consolidation in earnings per share

Where the number of ordinary shares outstanding is reduced by consolidation of shares during the reporting period, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented.

Notes to the consolidated financial statements
for the year ended 30 June 2023

3 Significant accounting policies (continued)

(ag) 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 Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

(ah) Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

(ai) New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, is that none will impact the Group.

4 Operating segments

Operating segments are reported in a manner that is consistent with the internal reports that are reviewed and used by the Board of Directors (who are identified as the CODM) in assessing performance and in determining the allocation of resources. The Group has identified one reportable segment, being beverages, which is based wholly in Australia. The segment details are therefore fully reflected in the body of the financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2023

5 Revenue

	30-Jun-23 $'000	30-Jun-22 $'000
From continuing operations		
Revenue from contracts with customers		
Sale of goods	81,321	52,808
Rendering of services	1,172	2,892
	82,493	**55,700**
Disaggregation of revenue		
Wholesale beverage sales	69,795	43,699
Retail food and beverage sales	11,526	9,109
Rendering of services	1,172	2,892
	82,493	**55,700**
Timing of revenue recognition		
Goods transferred at a point in time	81,321	52,808
Services transferred over time	1,172	2,892
	82,493	**55,700**

6 Share of profits/(losses) of associates accounted for using the equity method

	30-Jun-23 $'000	30-Jun-22 $'000
Share of profits/(losses) of associates	(256)	(588)
	(256)	**(588)**

7 Other income

	30-Jun-23 $'000	30-Jun-22 $'000
Interest revenue calculated using the effective interest method	1	7
Other government grants	53	323
Gain on lease modification	-	4
Gain on disposal of fixed assets	-	988
Other income	134	198
	188	**1,520**

8 Expenses

	30-Jun-23 $'000	30-Jun-22 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Buildings	121	21
Leasehold improvements	48	43
Plant and equipment	1,007	748
Right-of-use assets - buildings	1,151	792
Right-of-use assets - plant and equipment	62	358
Intellectual property	58	97
Software development costs	426	268
Total depreciation and amortisation expenses	**2,873**	**2,327**
General and administration expenses		
Insurances	756	854
Other general and administrative expenses	2,094	1,919
Total general and administration expenses	**2,850**	**2,773**
Superannuation expense		
Defined contribution superannuation expense	1,698	1,532
Leases		
Short-term lease payments	-	14
	-	**14**
Finance costs		
Interest and finance charges paid/payable on borrowings	4,233	1,859
Interest and finance charges paid/payable on lease liabilities	444	323
Total finance costs	**4,677**	**2,182**
Impairment of other assets		
Impairment of loan receivables from associates	200	-
Impairment of financial assets held at fair value through profit and loss	900	-
	1,100	**-**

Notes to the consolidated financial statements
for the year ended 30 June 2023

9 Income tax expense

	30-Jun-23 $'000	30-Jun-22 $'000
The components of income tax expense are :		
- Current tax	20	487
- Deferred tax - origination and reversal of temporary differences	-	-
Total income tax expense	**20**	**487**
Income tax expense is attributable to:		
Profit from continuing operations	20	487
Profit from discontinued operations	-	-
	20	**487**

Numerical reconciliation of income tax expense and tax at the statutory rate

	30-Jun-23 $'000	30-Jun-22 $'000
Profit / (Loss) before income tax from continuing operations	9,434	(16,517)
Profit / (Loss) before income tax from discontinued operations	(3,627)	(3,406)
	5,807	(19,923)
The prima facie tax on loss from ordinary activities before income tax at 30% (2022: 30%)	1,742	(5,977)
Tax effect of :		
- Share-based payments expense	352	359
- Impairment of goodwill & other assets	656	895
- Fair value loss on derivative financial liability	698	369
- Fair value gain on recognition of investment in associate	(9,071)	-
- Other non-deductible expenses	103	38
- Temporary differences not recognised	(543)	245
- Deferred taxes on tax losses not recognised	6,083	4,558
Current income tax expense	**20**	**487**

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	30-Jun-23 $'000	30-Jun-22 $'000
Unused tax losses	54,725	33,642
Deductible temporary differences	(16,643)	(583)
	38,082	**33,059**
Potential tax benefit at 30% (2022: 30%)	11,424	8,595

The deferred tax asset has not been brought to account on the basis that it is not expected that sufficient taxable income will be generated within the next twelve months to utilise the losses or to offset the temporary differences.

The deferred tax asset relating to carry forward losses and other temporary differences will only be recognised if:
a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) the consolidated entity is able to meet the continuity of business and / or continuity of ownership tests.

Notes to the consolidated financial statements
for the year ended 30 June 2023

10 Discontinued Operations

Description

On 28th April 2022, the Group announced to the ASX it's intention to pursue several non-core asset sales as part of a wider strategy to simplify it's business model and investment portfolio. The Group has identified both the Mighty Hunter Valley and Mighty Moonee Ponds sites as non-core businesses, with a sale process for Mighty Moonee Ponds completing in July 2023.

In addition to the Mighty venues, the Group is in the process of identifying potential buyers for Foghorn Brewery in Newcastle. One of the first brands to join the Group's portfolio, in recent years the Group has found difficulties in scaling the brand nationally at the same pace as other beer businesses in the portfolio.

As announced on the ASX on 31st July 2023, the Group has executed a binding agreement for the sale of 100% of Jetty Road Brewery Pty Ltd. This process is expected to settle in H1 FY2024. Ongoing macroeconomic challenges in the craft-beer sector have contributed to the decision to sell Jetty Road Brewery.

Torquay Beverage Company, producer of the NoSh seltzer range, is not part of the long-term strategy of the Group, and the Directors' are actively reviewing the potential paths for the business moving forward.

Financial performance information (2023)

	Foghorn	Jetty Road	Mighty Hunter Valley	Mighty Moonee Ponds	Torquay Beverage Company
	$'000	$'000	$'000	$'000	$'000
Revenue	3,317	5,915	2,665	1,291	400
Other income	39	-	8	5	76
	3,356	**5,915**	**2,673**	**1,296**	**476**
Expenses					
Cost of sales	(1,616)	(3,192)	(854)	(259)	(276)
Employee benefits expense	(1,244)	(1,603)	(1,478)	(820)	(359)
Equipment hire and maintenance	(41)	(60)	(64)	(14)	(2)
Legal and professional fees	(13)	(8)	-	(1)	(202)
Selling and marketing expenses	(80)	(157)	(53)	(19)	(26)
Depreciation and amortisation expenses	-	(450)	-	-	(30)
Occupancy expenses	(187)	(229)	(249)	(130)	(5)
Travelling and conveyance	(16)	(11)	-	-	(1)
Impairment of Goodwill	(691)	-	(142)	-	(328)
Impairment of Assets	-	-	(751)	(625)	-
General and administration expenses	(141)	(240)	(197)	(75)	73
Finance costs	(181)	(124)	(98)	(67)	(7)
Loss before income tax expense	**(854)**	**(159)**	**(1,213)**	**(714)**	**(687)**
Income tax expense	**-**	**-**	**-**	**-**	**-**
Loss after income tax expense	**(854)**	**(159)**	**(1,213)**	**(714)**	**(687)**

Financial performance information (2022)

	Foghorn	Jetty Road	Mighty Hunter Valley	Mighty Moonee Ponds	Torquay Beverage Company
	$'000	$'000	$'000	$'000	$'000
Revenue	2,652	5,881	2,015	1,238	1,088
Other income	167	-	665	335 -	10
	2,819	**5,881**	**2,680**	**1,573**	**1,078**
Expenses					
Cost of sales	(1,127)	(2,924)	(580)	(281)	(754)
Employee benefits expense	(966)	(2,093)	(1,098)	(745)	(121)
Equipment hire and maintenance	(47)	(103)	(72)	(22)	(6)
Legal and professional fees	(28)	(99)	(39)	-	58
Selling and marketing expenses	(67)	(332)	(47)	(37)	-
Depreciation and amortisation expenses	(229)	(544)	(433)	(136)	(35)
Occupancy expenses	(146)	(96)	(161)	(99)	(10)
Travelling and conveyance	(12)	(18)	-	-	(13)
Impairment of Goodwill	-	-	(1,384)	(811)	-
Impairment of Assets	-	-	-	(787)	-
General and administration expenses	(141)	(103)	(184)	(79)	(35)
Finance costs	(125)	(120)	(125)	(73)	(8)
Loss before income tax expense	**(69)**	**(551)**	**(1,443)**	**(1,497)**	**154**
Income tax expense	**-**	**-**	**-**	**-**	**-**
Loss after income tax expense	**(69)**	**(551)**	**(1,443)**	**(1,497)**	**154**

Notes to the consolidated financial statements
for the year ended 30 June 2023

10 Discontinued Operations (continued)

Cash flow information	30-Jun-23 $'000	30-Jun-22 $'000
Net cash used in operating activities	(183)	(592)
Net cash used in investing activities	(66)	(220)
Net cash used in financing activities	(121)	284
Net increase / (decrease) in cash and cash equivalents from discontinued operations	**(370)**	**(528)**

11 Cash and cash equivalents

	30-Jun-23 $'000	30-Jun-22 $'000
Cash on hand	54	52
Cash at bank	3,600	3,685
	3,654	**3,737**

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures agree to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

12 Trade and other receivables

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Trade receivables	3,516	3,681
Less: Allowance for expected credit losses	(98)	(52)
	3,418	3,629
Other receivables	135	839
Related party receivables	1,374	21
	4,927	**4,489**

Allowance for expected credit losses
The Group has recognised a loss of $56,686 (2022: $118,000) 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:

	Expected credit loss rate		Carrying amount		Allowance for expected credit loss	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Consolidated	%	%	$'000	$'000	$'000	$'000
Not overdue	-	-	1,793	2,506	-	-
0 to 3 months overdue	-	-	1,595	999	-	-
3 to 6 months overdue	35%	-	46	131	16	7
Over 6 months overdue	100%	2%	82	45	82	45
			3,516	**3,681**	**98**	**52**

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

	30-Jun-23 $'000	30-Jun-22 $'000
Opening balance	52	8
Provision utilised during the year	(11)	(74)
Additional provisions recognised	57	118
	98	**52**

Notes to the consolidated financial statements
for the year ended 30 June 2023

13 Inventories

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Raw materials	855	1,010
Work in progress	1,631	196
Finished goods	4,580	8,537
Less: Provision for stock obsolescence	(335)	(53)
	6,731	**9,690**
Non-current		
Whisky under maturation - at cost	2,673	1,259
	2,673	**1,259**

Movements in the provision for stock obsolescence are as follows:

	30-Jun-23 $'000	30-Jun-22 $'000
Opening balance	53	-
Stock written off against provision	(53)	(30)
Additional provisions recognised	335	83
	335	**53**

14 Other current assets

	30-Jun-23 $'000	30-Jun-22 $'000
Prepayments	890	3,972
Right of return assets	-	683
	890	**4,655**

15 Assets of disposal groups classified as held for sale

	30-Jun-23 $'000	30-Jun-22 $'000
Trade and other receivables	-	315
Inventories	582	241
Other current assets	270	115
Property, plant and equipment	4,523	2,867
Intangible assets	5,030	1,113
Right-of-use assets	567	5,259
Other non-current assets	-	276
	10,972	**10,186**

The assets identified above represent the assets of Foghorn Brewery Pty Ltd, Mighty Hunter Valley Pty Ltd, Mighty Moonee Ponds Pty Ltd, Jetty Road Brewery and Torquay Beverage Company. Refer to note 10 for further information.

16 Non-current assets - Receivables

	30-Jun-23 $'000	30-Jun-22 $'000
Loans receivable from related parties	105	305
	105	**305**

Loan to director of subsidiary of $105,000 (2022: $105,000) is interest-free and is repayable no later than 28 February 2029.

Loan to associate of $200,000 was written off during the year, as it is the Directors' assessment that the loan is not recoverable. Refer to Note 41 for more information.

Notes to the consolidated financial statements
for the year ended 30 June 2023

17 Investments accounted for under the equity method

	30-Jun-23 $'000	30-Jun-22 $'000
Non-current		
Investment in associates:		
Poison Creek Distillery Pty Ltd (Brogan's Way)	708	821
SauceCo (FNQLD) Pty Ltd	-	143
Sparkke Group Holdings Pty Ltd*	-	1,537
Better Beer Company Pty Ltd**	31,379	-
	32,087	**2,501**

Refer to Note 45 for further information on interests in associates.

*Shareholding in Sparkke Group Holdings formed part of the consideration for the acquisition of Mismatch Brewhouse. Refer to Note 43 for more information.

**On 30th June 2023, a restructure of shareholdings in Better Beer Company Pty Ltd was completed. As a result, Mighty Craft moved to a direct equity stake in Better Beer Holdings Pty Ltd (formerly Torquay Beverage Company) of 33%. The investment was determined to be an investment in associate and a fair valuation exercise was completed on the date of the restructure. Refer to Note 36 for further information on the valuation methods adopted & inputs used.

18 Financial assets at fair value through profit and loss

	30-Jun-23 $'000	30-Jun-22 $'000
Investment in Convertible Notes issued by Sparkke Group Holdings Pty Ltd*	-	1,500
Investment in Convertible Notes issued by Ballistic Beer Company Pty Ltd	53	53
	53	**1,553**

*Convertible notes formed part of the consideration for the acquisition of Mismatch Brewhouse. Refer to Note 43 for more information.

19 Financial assets at fair value through other comprehensive income

	30-Jun-23 $'000	30-Jun-22 $'000
Represents investments in ordinary shares of:		
SauceCo Pty Ltd	-	1,050
Ballistic Beer Company Pty Ltd	-	2,429
Something Wild Beverages Pty Ltd	59	59
Other	50	50
	109	**3,588**

Refer to Note 36 for further information on fair value measurement.

20 Property, plant and equipment

	30-Jun-23 $'000	30-Jun-22 $'000
Land and buildings		
At cost	3,604	3,604
Accumulated depreciation	(149)	(28)
	3,455	3,576
Leasehold improvements		
At cost	1,486	1,371
Accumulated depreciation	(173)	(176)
	1,313	1,195
Plant and equipment		
At cost	8,468	10,657
Accumulated depreciation	(2,206)	(2,156)
	6,262	8,501
Capital work-in-progress - at cost	-	18
	11,030	**13,290**

20 Property, plant and equipment (continued)

Reconciliations

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

	Land and buildings	Leasehold improvements	Plant and equipment	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	2,632	3,779	4,600	1,511	12,522
Additions	-	9	1,058	2,119	3,186
Additions through business combinations	-	-	3,411	-	3,411
Classified as held for sale	-	(2,077)	(790)	-	(2,867)
Transfers	2,172	-	1,440	(3,612)	-
Disposals	(1,137)	-	(19)	-	(1,156)
Impairment expense	-	(430)	(64)	-	(494)
Depreciation expense	(91)	(86)	(1,135)	-	(1,312)
Balance as at 30 June 2022	**3,576**	**1,195**	**8,501**	**18**	**13,290**
Additions	-	166	1,244	-	1,410
Loss of control of subsidiary	-	-	(95)	-	(95)
Transfers	-	-	18	(18)	-
Classified as held for sale (note 15)	-	-	(2,174)	-	(2,174)
Disposals	-	-	(109)	-	(109)
Depreciation expense	(121)	(48)	(1,123)	-	(1,292)
Balance at 30 June 2023	**3,455**	**1,313**	**6,262**	**-**	**11,030**

21 Right-of-use assets

	30-Jun-23	30-Jun-22
	$'000	$'000
Land and buildings - right-of-use	12,250	9,522
Less: Accumulated depreciation on Buildings	(1,922)	(1,125)
	10,328	8,397
Plant and equipment - right-of-use	4,134	2,711
Less: Accumulated depreciation on Plant and equipment	(565)	(394)
	3,569	2,317
	13,897	**10,714**

Reconciliations of the right-of-use assets at the beginning and end of the current financial year are set out below:

	Land and buildings	Plant and equipment	Total
	$'000	$'000	$'000
Balance at 1 July 2021	13,544	48	13,592
Additions through business combinations	2,737	-	2,737
Additions	2,294	2,627	4,921
Classified as held for sale	(5,259)	-	(5,259)
Reductions due to lease modifications	(2,952)	-	(2,952)
Impairment expense	(293)	-	(293)
Depreciation expense	(1,674)	(358)	(2,032)
Balance as at 30 June 2022	8,397	2,317	10,714
Additions through business combinations (Note 43)	3,505	250	3,755
Additions	-	1,173	1,173
Classified as held for sale (note 15)	(615)	-	(615)
Depreciation expense	(959)	(171)	(1,130)
Balance as at 30 June 2023	**10,328**	**3,569**	**13,897**

The Group leases land and buildings for its offices, brewery and venues under agreements of between one to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group leases plant and equipment under agreements of between two to five years. The Group leases whisky barrels and new make spirit under agreements with terms based on the maturation cycle of the underlying whisky asset, which is between three to five years.

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22 Intangible assets

	30-Jun-23 $'000	30-Jun-22 $'000
Goodwill	38,116	38,779
Less: Impairment of Goodwill	(747)	(2,195)
	37,369	36,584
Intellectual Property and Trademarks	529	508
Less: Amortisation of Intellectual Property and Trademarks	(260)	(159)
	269	349
IT Development Costs	1,296	1,103
Less: Amortisation of IT Development Costs	(695)	(319)
	601	784
Brands	8,833	8,833
	47,072	**46,550**

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

	Goodwill $'000	Intellectual Property and Trademarks $'000	IT Development Costs $'000	Brands $'000	Total $'000
Balance at 1 July 2021	6,841	346	686	-	7,873
Additions through business combinations	33,049	4	-	8,833	41,886
Additions	-	96	370	-	466
Impairment of goodwill	(2,195)	-	-	-	(2,195)
Classified as held for sale	(1,111)	-	-	-	(1,111)
Amortisation	-	(97)	(272)	-	(369)
Balance as at 30 June 2022	36,584	349	784	8,833	46,550
Additions through business combinations (Note 43)	2,127	-	-	-	2,127
Additions	-	8	188	-	196
Impairment of goodwill	(747)	-	-	-	(747)
Classified as held for sale (note 15)	(595)	(30)	-	-	(625)
Amortisation	-	(58)	(371)	-	(429)
Balance as at 30 June 2023	**37,369**	**269**	**601**	**8,833**	**47,072**

Impairment testing
Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	30-Jun-23	30-Jun-22
Mighty Craft Operations business ("MCO")	797	797
Kangaroo Island Distillery business ("KIS")	1,156	1,156
Slipstream Brewing Company business ("SBC")	993	993
The Hills Distillery business ("78D")	21,123	21,123
Mismatch Brewery business ("MMB")	3,128	3,888
Hills Cider business ("HCC")	4,406	4,406
Lot 100 Venue business ("L100")	3,629	3,629
Mismatch Brewhouse ("MBV")	2,137	-
Torquay Beverage Company business ("TBC")*	-	328
Jetty Road Brewery business ("JRB")*	-	264
Foghorn Brewery business ("FHB")*	-	-
Hunter Valley Brewery business ("HVB")*	-	-
Moonee Ponds Venue business ("MPV")*	-	-
	37,369	**36,584**

* Cash-generating unit has been classified as held for sale. Refer to Note 15 for more information.

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year budget period approved by management and extrapolated for a further four years using a steady rate, together with a terminal value.

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22 Intangible assets (continued)

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model for each of the cash-generating units listed above:

	Pre-tax discount rate	Revenue growth rate over forecast period	Terminal growth rate
MCO	35.1%	15%	2.5%
KIS	26.4%	15%-22%	2.5%
SBC	21.5%	5%-7%	2.5%
78D	28.8%	31%-54%	2.5%
MMB	27.0%	13%-29%	2.5%
HCC	27.0%	8%-11%	2.5%
L100	21.5%	8%-13%	2.5%
MBV	26.4%	10%-14%	2.5%

Discount rate
The discount rates reflect management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for each CGU, being determined as the factor of the risk-free rate, historical market risk premiums, the volatility of the share prices of comparable listed companies relative to market movements, the performance of comparable listed companies relative to the benchmark index and the indicator lending rates for similar businesses.

Revenue growth rate
Management believes the projected revenue growth rates are prudent and justified based on historical growth rates observed and strategic growth channels in future years such as the Groups growing whisky bank, maturing spirits strategy and refined focus on sustainable venue performance.

Terminal Growth Rate
Management believes that the terminal value growth rate to be reasonable and consistent with the Reserve Bank of Australia's target inflation rates and the long-term average growth rates of the businesses.

Results
Based on the above, the recoverable amounts of all CGUs listed below exceeded their carrying amount. The amount of headroom is given below:

Recoverable amount in excess of carrying amount:

	$'000
MCO	7,280
KIS	1,183
SBC	4,506
78D	1,271
HCC	400
L100	1,513
MBV	189

Impairment of Goodwill in Mismatch Brewing Company CGU
Historical growth rates previously observed in the craft beer sector have slowed, and ongoing inflationary pressures in particular with regards to excise taxation increased have proven challenging to a number of the Groups beer businesses over the past financial year. Acquired at the start of FY22, Mismatch Brewing Company has not been able to sustain wholesale revenue growth required to justify the initial investment. As a result, management have adopted the higher of approach and determined a VIU calculation to yield the highest recoverable amount. This calculation resulted in the following impairment write down at 30 June 2023:

	Surplus / (Shortfall) $'000	Allocated to Goodwill $'000	Allocated to Other Assets $'000
MMB	(747)	(747)	-

22 Intangible assets (continued)

Sensitivity

As disclosed in Note 2 the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

	% of reduction in revenue to result in an impairment	Increase in post-tax discount rate to result in an impairment
MCO	13.00%	33%
KIS	13% reduction in forecast whisky revenues	2.5%
SBC	5.00%	23%
78D	3% reduction in forecast whisky revenues	1.0%
HCC	1.10%	1.2%
L100	2.00%	6%
MBV	3% reduction in base year forecast revenues	1.2%

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating units' carrying amounts to exceed their recoverable amounts. If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in an impairment charge.

Disposal Groups classified as held for sale

As mentioned in Note 10, the Group has classified a number of cash-generating units as held for sale as at 30 June 2023. The disposal groups were remeasured at the lower of their carrying amount and their fair value less costs to sell. The remeasurement resulted in the following impairment write-downs:

Fair value less costs to sell in surplus / (shortfall) of carrying amount:

	Surplus / (Shortfall) $'000	Allocated to Goodwill $'000	Allocated to Other Assets $'000
FHB	(691)	(691)	-
HVB	(893)	(142)	(751)
MVP	(627)	-	(627)
JRB	275	-	-
TBC	(327)	(327)	-
	(2,263)	**(1,160)**	**(1,378)**

23 Other non-current assets

	30-Jun-23 $'000	30-Jun-22 $'000
Security deposits	457	277
Funds held in reserve	619	499
	1,076	**776**

24 Trade and other payables

	30-Jun-23 $'000	30-Jun-22 $'000
Trade payables	3,150	5,842
Excise tax payable	5,157	1,539
Accrued expenses and other payables	908	2,002
Other ATO Liabilities	4,186	2,213
Related party payables	7,035	53
	20,436	**11,649**

Refer to Note 35 for further information on financial instruments.

The Group is currently in discussions with the ATO regarding a payment plan arrangement on certain tax liabilities of the group, materially excise tax liability. The Company has received written confirmation from the ATO that until such time that the payment plan is finalised, the ATO will not enforce any overdue balances. As at 30 June 2023, the Group has total liabilities outstanding with the ATO of $9.343m, of which $8.36m is subject to a proposed payment plan arrangement.

Related party payables represent amounts owing to Better Beer Company Pty Ltd. Refer to note 41 for more detail.

25 Borrowings

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Chattel mortgage	85	127
Other borrowings	-	107
	85	**234**
Non-current		
Financing facility (PURE Asset Management)	16,034	13,700
Chattel mortgage	28	190
Other borrowings	288	305
	16,350	**14,195**

The break down of the financing facility is set out below:

Loan received	20,000	13,700
Fair value of warrants issued treated as arrangement fee	(185)	-
Fair value of embedded derivative financial liability	(2,755)	-
Unwinding of effective interest on loan	954	-
Transaction costs	(1,980)	-
	16,034	**13,700**

Refer to Note 35 for further information on financial instruments.

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

	30-Jun-23 $'000	30-Jun-22 $'000
Total facilities		
Loans	20,288	20,412
	20,288	**20,412**
Used at the reporting date		
Loans	20,288	14,112
	20,288	**14,112**
Unused at the reporting date		
Loans	-	6,300
	-	**6,300**

25 Borrowings (continued)

Total secured liabilities The total secured liabilities (current and non-current) are as follows:	30-Jun-23 $'000	30-Jun-22 $'000
Loans	20,288	14,038
Chattel mortgage	113	317
	20,401	**14,355**

Assets pledged as security
The loan from Pure Asset Management is secured by first-ranking security over the Group's property, present and future. Financial covenants include:
a) a minimum cash balance requirement, measured on the 7th business day proceeding each calendar month-end; and
b) net debt to 6-month trailing underlying EBIT requirement, measured quarterly.

The Net-Debt to 6-month trailing EBIT covenant does not become measurable until quarter ending 31 December 2023.

Chattel mortgages are secured by the assets being financed, being motor vehicles and brewery plant & equipment.

26 Employee benefits

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Provision for annual leave	907	1,053
	907	**1,053**
Non-current		
Provision for long service leave	166	105
	166	**105**

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

27 Lease liabilities

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Lease liability	1,038	1,115
	1,038	**1,115**
Non-current		
Lease liability	15,447	11,648
	15,447	**11,648**

Refer to Note 35 for further information on financial instruments.

28 Provisions

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Restructuring	391	670
Other	-	18
	391	**688**
Non-current		
Lease make good	84	69
	84	**69**

Restructuring
The provision represents the expected costs associated with a change in organisational structure which was communicated and completed prior to the financial year-end, but not expected to be settled until after the financial year-end.

Lease make good
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.

29 Other Liabilities

	30-Jun-23 $'000	30-Jun-22 $'000
Current		
Deferred revenue	355	537
Return liabilities	-	1,568
Share purchase payable	100	-
	455	**2,105**

30 Liabilities directly associated with assets classified as held for sale

	30-Jun-23 $'000	30-Jun-22 $'000
Trade and other payables	-	719
Borrowings	30	-
Employee entitlements	340	209
Lease liabilities	6,312	6,075
Other current liabilities	60	20
	6,742	**7,023**

The liabilities identified above represent the assets of Foghorn Brewery Pty Ltd, Mighty Hunter Valley Pty Ltd, Mighty Moonee Ponds Pty Ltd, Jetty Road Brewery and Torquay Beverage Company. Refer to note 10 for further information.

31 Equity - Issued capital

	30-Jun-23 Shares	30-Jun-22 Shares	30-Jun-23 $'000	30-Jun-22 $'000
Ordinary Shares - fully paid	359,564,428	327,883,086	108,985	104,062
Total issued capital			**108,985**	**104,062**

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	30-Jun-21	152,238,834		48,942
Issue of shares - Retail Entitlement Placement	19-Jul-21	24,828,705	0.32	7,945
Issue of shares - Institutional Entitlement Placement	19-Jul-21	30,530,871	0.32	9,770
Issue of shares - Institutional Placement	19-Jul-21	35,265,424	0.32	11,285
Issue of shares to vendors of Adelaide Hills Group	19-Jul-21	57,142,851	0.35	20,000
Issue of shares - Placement	4-Nov-21	20,000,000	0.29	5,800
Issue of shares to vendors of Lot 100 Pty Ltd	16-Nov-21	1,428,571	0.35	500
Issue of shares to vendors of Jetty Road Brewery Pty Ltd	17-Nov-21	1,317,142	0.35	461
Employee share scheme buy-back	8-Dec-21	(1,132,500)	-	-
Issue of shares to vendors of Jetty Road Brewery Pty Ltd	29-Dec-21	6,263,188	0.35	2,192
Transaction costs on issue of capital				(2,833)
Balance	30-Jun-22	327,883,086		104,062
Issue of shares under Employee Incentive Plan	14-Sep-22	571,429	0.31	177
Employee share scheme buy-back	23-Dec-22	(4,062,500)	-	-
Issue of shares - placement	29-Mar-23	35,172,413	0.15	5,100
Transaction costs on issue of capital				(354)
		359,564,428		**108,985**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Mighty Craft Limited in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and Mighty Craft Limited 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.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

32 Equity - Retained earnings / (accumulated losses)

	30-Jun-23 $'000	30-Jun-22 $'000
(Accumulated losses) at the beginning of the financial year	(48,998)	(25,657)
Profit / (Loss) after income tax expense for the year	6,099	(20,644)
Transfer (to) / from reserves	-	413
Transfer (to) / from minority interests	(338)	(3,110)
(Accumulated losses) at the end of the financial year	**(43,237)**	**(48,998)**

33 Equity - Reserves

	30-Jun-23 $'000	30-Jun-22 $'000
Share-based payments reserve	4,036	2,973
Financial assets at fair value through other comprehensive income reserve	(3,134)	344
	902	**3,317**

Financial assets at fair value through other comprehensive income reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

34 Equity - Non-controlling interest

	30-Jun-23 $'000	30-Jun-22 $'000
Issued capital	(1,287)	(122)
Reserves	(215)	(215)
Retained Earnings / (Accumulated losses)	2,060	2,034
	558	**1,697**

Refer to Note 44 for further information on non-controlling interests in subsidiaries.

35 Financial Instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and 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 and ageing analysis for credit risk.

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.

Market risk
Foreign currency risk
The Group is not currently exposed to any material foreign currency risk.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value risk.

The Group has bank and other financial institution loans outstanding as at 30 June 2023 of $20,319,261 (2022: $14,037,512). The loans are subject to interest-only payments, with fixed interest per annum, meaning there is no significant interest rate risk to the Group. The loan with Pure Asset Management is for a three year fixed-term, and is secured by warrants issued to the lender and co-investors, which may be exercised any time up to the week prior to maturity date.

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 confirming references and setting appropriate credit limits. 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.

35 Financial Instruments (continued)

Credit risk (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. 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 and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Refer to Note 25 for unused borrowing facilities at the reporting date.

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 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
Consolidated - 2023						
Non-derivatives						
Non-interest bearing						
Trade payables	-	10,185	-	-	-	10,185
Other payables	-	641	-	-	-	641
Interest-bearing - fixed rate						
Chattel mortgage liabilities	5.07%	119	23	3	-	145
Lease liability	6.16%	2,553	3,770	11,235	13,992	31,550
Loan facility - fixed rate	8.44%	38	38	20,077	350	20,502
Total non-derivatives		**13,536**	**3,832**	**31,315**	**14,341**	**63,024**
Derivatives						
Derivative financial liability		1,036	1,820	7,280	-	10,136
		1,036	**1,820**	**7,280**	**-**	**10,136**

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2022						
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,110	-	-	-	6,110
Other payables	-	2,009	-	-	-	2,009
Interest-bearing - fixed rate						
Chattel mortgage liabilities	4.84%	133	142	64	-	339
Lease liability	5.75%	2,052	2,164	9,819	11,243	25,278
Loan facility - fixed rate	8.36%	123	38	13,796	368	14,325
Total non-derivatives		**10,427**	**2,344**	**23,679**	**11,611**	**48,061**
Derivatives						
Derivative financial liability		648	726	3,715	-	5,089
		648	**726**	**3,715**	**-**	**5,089**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

36 Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit and loss	-	-	53	53
Ordinary shares at fair value through other comprehensive income	-	-	109	109
Investment in Better Beer Company Pty Ltd	-	-	31,379	31,379
Total	**-**	**-**	**31,541**	**31,541**
Liabilities				
Derivative financial instruments	-	-	5,967	5,967
Total	**-**	**-**	**5,967**	**5,967**

Consolidated - 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit and loss	-	-	1,553	1,553
Ordinary shares at fair value through other comprehensive income	-	-	3,588	3,588
Total	**-**	**-**	**5,141**	**5,141**
Liabilities				
Derivative financial instruments	-	-	2,755	2,755
Total	**-**	**-**	**2,755**	**2,755**

There were no transfers between levels during the current and previous financial years.

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.

Valuation techniques for fair value measurements categorised within Level 2 and Level 3

Unquoted investments and investments in convertible notes have first been valued with reference to recent equity transactions. In the absence of reliable and recent equity transactions, investments have been valued using a "market approach". Under this valuation technique, the Group has used market multiples derived from a set of comparable transactions, considering qualitative and quantitative factors specific to the measurement.

Derivative financial liabilities are determined by a value-in-use calculation using a discounted cash flow model over the measurement period, and reviewed at each reporting period.

Valuation of Investment in Better Beer Company

On 30th June 2023, a restructure of shareholdings in Better Beer Company Pty Ltd was completed. As a result, Mighty Craft moved to a direct equity stake in Better Beer Holdings Pty Ltd (formerly Torquay Beverage Company) of 33%. The investment was determined to be an investment in associate and a fair valuation exercise was completed on the date of the restructure to value the equity stake in Better Beer. Mighty Craft continues to own the sales & distribution rights to Better Beer and these have not been seperately valued.

A DCF analysis has been used to determine the fair value of the Company's investment in Better Beer Company. Precedent Craft Beer transaction multiples have been used to assess the reasonableness of the valuation outcome. Assuumptions considered most material are outlined below:

Input to DCF Analysis	%
Post-tax discount rate	27%
CAGR on revenue across the forecast period	42%
Terminal growth rate	5%

36 Fair value measurement (continued)

Level 3 assets and liabilities

Movements in Level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Investment in Better Beer Company $'000	Derivative financial liabilities $'000	Convertible notes at fair value through P&L $'000	Ordinary shares at fair value through OCI $'000
Balance at 1 July 2021	-	-	2,500	3,147
Gain / (loss) recognised in other comprehensive income	-	-	-	344
Additions	-	2,755	53	97
Disposals	-	-	(1,000)	-
Balance at 30 June 2022	-	2,755	1,553	3,588
Gain / (loss) recognised in other comprehensive income	-	-	-	(3,478)
Impairment of convertible notes at fair value through P&L	-	-	(900)	-
Additions	31,379	1,449	-	-
Fair value loss on derivative financial liability	-	2,325	-	-
Disposals	-	(562)	-	-
Disposals due to business combinations	-	-	(600)	-
Balance at 30 June 2023	**31,379**	**5,967**	**53**	**110**

The Level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Derivative financial liabilities	Wholesale revenue projections across a two year forecast period	N/A	5% change in forecast revenues would increase / decrease fair value by $300,000
Investment in Better Beer Company	Weighted average cost of capital used in DCF analysis	N/A	1 percentage point change in WACC would increase / decrease fair value by $5 million.

37 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:

	30-Jun-23 $	30-Jun-22 $
Short-term employee benefits	1,595,549	1,334,894
Post-employment benefits	113,912	99,034
Termination benefits	213,773	-
Share-based payments	993,740	556,175
	2,916,974	**1,990,103**

38 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the Group.

	30-Jun-23 $	30-Jun-22 $
Audit services - RSM Australia		
Audit or review of financial statements	198,425	157,004
Other services - RSM Australia		
Tax compliance and related services	106,000	125,545
Corporate finance valuations & related services	4,000	4,000
	308,425	**286,549**

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39 Contingent liabilities / assets

The Group has given bank guarantees as at 30 June 2023 of $354,805 (2022: $354,805) to various landlords.

The Group has no contingent assets as at 30 June 2023 (2022: $nil).

40 Commitments

	30-Jun-23 $'000	30-Jun-22 $'000
Capital commitments		
The Group had the following capital commitments as at the reporting date:		
Property, plant and equipment	65	65
	65	65
Chattel mortgage commitments		
Committed at the reporting date and recognised as liabilities, payable		
Within one year	121	145
One to five years	26	191
Total commitment	147	336
Less: Future finance charges	(34)	(19)
Net commitment recognised as liabilities	113	317
Representing borrowings		
Current	85	127
Non-current	28	190
	113	317

41 Related party transactions

Parent Entity
Mighty Craft Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 44.

Associates
Interests in associates are set out in Note 45.

Key management personnel
Disclosures relating to key management personnel are set out in Note 37.

Transactions with related parties
The following transactions occurred with related parties:

	30-Jun-23 $	30-Jun-22 $
Product sales to associates	-	3,500
Product purchases from associates *	61,949	62,307
Reimbursement of costs charged to associates	5,000	-
Commissions charged to associates	-	23,046
Impairment of loan receivable from associate***	200,000	-
Professional fees paid to director-related entities **	-	140,258

* Purchases with associates are disclosed for the period in which the business was an associate during the financial year.
** Refer to the Remuneration Report for details on transactions with key management personnel and their related parties.

*** Impairment of loan receivable from associate relates to the loan outstanding from SauceCo (FNQLD) Pty Ltd. The venue business closed in July 2023 and it's the Directors' assessment that this loan is unrecoverable.

Notes to the consolidated financial statements
for the year ended 30 June 2023

41 Related party transactions (continued)

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

Trade receivable from associates*	1,584,235	20,778
Trade payable to associates*	7,034,837	53,278
Loan to director of subsidiary	105,000	105,000
Loan from director of subsidiary	-	85,000
Loan to associate	-	200,000

Trade payable to / receivable from relate to balances between the Group and Better Beer Company. On 30th June 2023, a restructure of shareholdings in Better Beer Company Pty Ltd was completed. As a result, Mighty Craft moved to a direct equity stake in Better Beer Holdings Pty Ltd (formerly Torquay Beverage Company) of 33%. As a result, the entity was deconsolidated from the consolidated group on 30th June 2023 with its net assets derecognised. All trade receivables owing from / payables to Better Beer are presented on the consolidated balance sheet as at 30 June 2023.

Terms and conditions
Loan to director of subsidiary is interest-free and is repayable no later than 28 February 2029.

42 Parent entity information

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

	30-Jun-23 $'000	30-Jun-22 $'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(9,698)	(12,327)
Total comprehensive income / (loss)	(9,698)	(12,327)
Statement of financial position		
Total current assets	898	3,758
Total assets	109,523	56,541
Total current liabilities	1,463	1,136
Total liabilities	24,232	18,591
Equity		
Issued capital	108,985	104,062
Accumulated losses	(24,596)	(69,429)
Reserves	902	3,317
Total Equity	85,291	37,950

Contingent liabilities / assets
The parent entity has no contingent liabilities or assets as at 30 June 2023 and 30 June 2022.

Capital commitments
The parent entity had no capital commitments for expenditure 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 3, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in The parent entity.
- Investments in associates 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 and its receipt may be an indicator of an impairment of the investment.

Notes to the consolidated financial statements
for the year ended 30 June 2023

43 Business combinations

Mismatch 'Brewhouse' Acquisition
In October 2022, Mighty Craft Limited acquired the leasehold and business assets of the venue formerly known as the Whitmore in Adelaide (with effective acquisition date of 4th October 2022). The venue was previously owned and operated by Sparkke Pubs Pty Ltd, a subsidiary of Sparkke Group Holdings Pty Ltd which Mighty Craft held a 32% shareholding in.

As consideration for taking over the leasehold and business assets, Mighty Craft agreed to forgive the convertible notes held in Sparkke (carrying value of $600,000) and agreed to cancel it's shareholding in Sparkke Group Holdings Pty Ltd. The carrying value of Mighty Craft's investment in Sparkke at the time of acquisition was $1,537,000. The carrying value of the convertible notes and equity investment have been determined to be the same as the fair value of the acquisition.

This is a strategic acquisition, with the venue rebranded under Mismatch Brewing Company, and allows the ongoing promotion of one of the Groups key brands in it's home state.

The goodwill of $2.137 million is final as at 30 June 2023 and represents the expected expansion of the Mismatch brand and earnings potential of the site, which is situated in the heart of the Adelaide CBD.

The acquired businesses contributed revenues of $1.6 million and loss before tax of $0.28 million to the Group for the period trading during financial year ended 30 June 2023.

Details of acquisition are as follows:

	Mismatch Brewhouse Fair value $'000
Inventories	30
Right-of-use assets	3,755
Lease liabilities	(3,735)
Other current liabilities	(35)
Provision for employee entitlements	(5)
Net identifiable assets and liabilities	**10**
Goodwill	2,127
Acquisition-date fair value of the total consideration transferred	2,137
Representing:	
Fair value of Convertible Notes	600
Fair value of Equity investment in Sparkke Group Holdings Pty Ltd	1,537
	2,137
Acquisition costs expensed to profit and loss	20
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,137
Less: Non-cash consideration	(2,137)

Notes to the consolidated financial statements
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44 Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 3:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-23 %	30-Jun-22 %
Mighty Craft Nominees Pty Ltd	Australia	100%	100%
Mighty Craft People & Services Pty Ltd	Australia	100%	100%
Mighty Craft Investments Pty Ltd	Australia	100%	100%
Mighty Craft Beer Pty Ltd	Australia	100%	100%
Mighty Craft Spirits Plus Pty Ltd	Australia	100%	100%
Mighty Hunter Valley Pty Ltd	Australia	100%	100%
Craft Hub Pty Ltd	Australia	100%	100%
Founders Momentum Victoria Pty Ltd	Australia	100%	100%
Mighty Moonee Ponds Pty Ltd	Australia	100%	100%
Founders First SauceCo Pty Ltd	Australia	100%	100%
Mighty Craft Venues Pty Ltd	Australia	100%	100%
Mighty Craft Export Pty Ltd	Australia	100%	100%
Mighty Craft Operations Pty Ltd	Australia	100%	100%
Kangaroo Island Distillery Pty Ltd	Australia	100%	100%
Jetty Road Brewery Pty Ltd	Australia	100%	100%
Lot 100 Pty Ltd	Australia	100%	100%
The Hills Distillery Pty Ltd	Australia	100%	100%
Mismatch Brewing Company Pty Ltd	Australia	100%	100%
MK Wine Solutions Pty Ltd	Australia	100%	100%
Hills Cider Company Pty Ltd	Australia	100%	100%
Hidden Lake Pty Ltd	Australia	100%	60%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 3:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-23 %	30-Jun-22 %
Foghorn Brewery Pty Ltd	Australia	75.0%	75.0%
Seven Seasons Pty Ltd	Australia	65.0%	65.0%
Slipstream Brewing Company Pty Ltd	Australia	45.0%	45.0%
Better Beer Holdings Pty Ltd (formerly Torquay Beverage Company Pty Ltd)*	Australia	33.0%	61.0%
Torquay Beverage Company Pty Ltd (formerly Founders First Brogans Way Pty Ltd)*	Australia	61.0%	100%
Better Beer Company Pty Ltd*	Australia	33.0%	58.0%

** Restructure of Shareholdings in Better Beer Company Pty Ltd*

On 30th June 2023, a restructure of shareholdings in Better Beer Company Pty Ltd was completed. As a result, Mighty Craft moved to a direct equity stake in Better Beer Holdings Pty Ltd (formerly Torquay Beverage Company) of 33%. The business assets & existing shareholding structure of Torquay Beverage Company were transferred to Founders First Brogan's Way Pty Ltd, a previously dormant legal entity in the consolidated group.

Notes to the consolidated financial statements
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44 Interest in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiaries with non-controlling interests that are material to the Group are set out below:

	30 June 2023 ($'000)			
	Foghorn Brewery Pty Ltd	**Seven Seasons Pty Ltd**	**Slipstream Brewing Company Pty Ltd**	**Torquay Beverage Company Pty Ltd**
Summarised statement of financial position				
Current assets	479	981	1,028	126
Non-current assets	2,372	534	4,096	92
Total assets	2,851	1,515	5,124	218
Current liabilities	1,577	1,029	393	286
Non-current liabilities	1,815	363	4,582	46
Total liabilities	3,392	1,392	4,975	332
Net assets	**(541)**	**123**	**149**	**(114)**
Summarised statement of profit or loss and other comprehensive income				
Revenue & other income	3,546	2,307	4,580	655
Expenses	(4,342)	(1,949)	(4,434)	(1,231)
Profit / (Loss) before income tax expense	(796)	358	146	(576)
Income tax expense	-	-	-	-
Profit / (Loss) after income tax expense	(796)	358	146	(576)
Other comprehensive income	-	-	-	-
Total comprehensive income	**(796)**	**358**	**146**	**(576)**
Other financial information				
Profit / (Loss) attributable to non-controlling interests	(272)	104	91	(235)
Accumulated non-controlling interests at the end of reporting period	(217)	436	547	(208)

	30 June 2022 ($'000)					
	Foghorn Brewery Pty Ltd	**Seven Seasons Pty Ltd**	**Slipstream Brewing Company Pty Ltd**	**Torquay Beverage Company Pty Ltd**	**Hidden Lake Pty Ltd**	**Better Beer Company Pty Ltd**
Summarised statement of financial position						
Current assets	709	1,711	909	868	1,277	4,715
Non-current assets	3,131	412	5,382	125	1,175	87
Total assets	3,840	2,123	6,291	993	2,452	4,802
Current liabilities	824	1,382	711	415	640	3,700
Non-current liabilities	2,838	446	4,700	278	1,081	-
Total liabilities	3,662	1,828	5,411	693	1,721	3,700
Net assets	**178**	**295**	**880**	**300**	**731**	**1,102**
Summarised statement of profit or loss and other comprehensive income						
Revenue & other income	2,741	2,238	4,545	1,567	888	17,791
Expenses	3,034	2,358	4,590	1,895	1,044	16,575
Profit / (Loss) before income tax expense	(293)	(120)	(45)	(328)	(156)	1,216
Income tax expense	-	22	-	-	-	365
Profit / (Loss) after income tax expense	(293)	(142)	(45)	(328)	(156)	851
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(293)**	**(142)**	**(45)**	**(328)**	**(156)**	**851**
Other financial information						
Profit / (Loss) attributable to non-controlling interests	(71)	89	5	(266)	(63)	540
Accumulated	55	332	456	27	288	540

Notes to the consolidated financial statements
for the year ended 30 June 2023

45 Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-23 %	Ownership interest 30-Jun-22 %
Poison Creek Distillery Pty Ltd (Brogan's Way)	Australia	45.0%	45.0%
SauceCo (FNQLD) Pty Ltd	Australia	25.0%	25.0%
Sparkke Group Holdings Pty Ltd (Sparkke)	Australia	0.0%	32.0%
Better Beer Company Pty Ltd	Australia	33.0%	58.0%

Summarised financial information

	Better Beer Company Pty Ltd 30-Jun-23 $'000	Brogan's Way 30-Jun-23 $'000	SauceCo (FNQLD) Pty Ltd 30-Jun-23 $'000
Summarised statement of financial position			
Current assets	7,800	236	220
Non-current assets	487	25	1
Total assets	8,287	261	221
Current liabilities	6,604	53	414
Non-current liabilities	-	350	1,013
Total liabilities	6,604	403	1,427
Net assets	**1,683**	**(142)**	**(1,206)**
Summarised statement of profit or loss and other comprehensive income			
Income	41,475	1,096	1,386
Expenses	(40,920)	(1,346)	(2,811)
Profit / (loss) before income tax	555	(250)	(1,425)
Income tax expense	(57)	-	-
Profit / (loss) after income tax	498	(250)	(1,425)
Other comprehensive income	-	-	-
Total comprehensive income	**498**	**(250)**	**(1,425)**
Reconciliation of the Group's carrying amount			
Opening carrying amount	31,379	821	143
Share of profit / (loss) after income tax	-	(113)	(143)
Closing carrying amount	31,379	708	-
Total			**32,087**
Contingent liabilities		-	-

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45 Interests in associates (continued)

Summarised financial information	Sparkke	Brogan's Way	SauceCo (FNQLD) Pty Ltd
	30-Jun-22 $'000	30-Jun-22 $'000	30-Jun-22 $'000
Summarised statement of financial position			
Current assets	697	590	188
Non-current assets	3,432	769	1,314
Total assets	4,129	1,359	1,502
Current liabilities	1,308	44	240
Non-current liabilities	4,837	355	1,050
Total liabilities	6,145	399	1,290
Net assets	**(2,016)**	**960**	**212**
Summarised statement of profit or loss and other comprehensive income			
Income	2,938	1,326	1,097
Expenses	(4,016)	(1,640)	(1,413)
Profit / (loss) before income tax	(1,078)	(314)	(316)
Income tax expense	-	-	-
Profit / (loss) after income tax	(1,078)	(314)	(316)
Other comprehensive income	-	-	-
Total comprehensive income	**(1,078)**	**(314)**	**(316)**
Reconciliation of the Group's carrying amount			
Opening carrying amount	1,905	962	222
Share of profit / (loss) after income tax	(368)	(141)	(79)
Closing carrying amount	1,537	821	143
Total			**2,501**
Contingent liabilities	-	-	-

46 Earnings per share

	30-Jun-23 $'000	30-Jun-22 $'000
Earnings per share from continuing operations		
Profit / (Loss) after income taxes	9,414	(17,004)
Non-controlling interest	(169)	(191)
Loss after income tax attributable to the owners of Mighty Craft Limited	**9,245**	**(17,195)**
Weighted average number of ordinary shares		
	Number	**Number**
Weighted average number of ordinary shares used for calculating both basic and diluted earnings per share	335,280,473	309,559,447
	Cents	**Cents**
Earnings per share - basic and diluted	2.76	(5.55)

	30-Jun-23 $'000	30-Jun-22 $'000
Earnings per share from discontinued operations		
Profit / (Loss) after income taxes	(3,627)	(3,406)
Non-controlling interest	481	(43)
Profit / (Loss) after income tax attributable to the owners of Mighty Craft Limited	**(3,146)**	**(3,449)**
Earnings per share - basic and diluted	(0.94)	(1.11)

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46 Earnings per share (continued)

	30-Jun-23 $'000	30-Jun-22 $'000
Earnings per share		
Profit / (Loss) after income taxes	5,787	(20,410)
Non-controlling interest	312	(234)
Profit / (Loss) after income tax attributable to the owners of Mighty Craft Limited	**6,099**	**(20,644)**
Earnings per share - basic and diluted	1.82	(6.67)

Note: Potential shares comprising options over ordinary shares and performance rights have not been considered in the calculation of weighted average number of ordinary shares for diluted earnings per share as they are anti-dilutive in nature.

47 Reconciliation of profit / (loss) after income tax to net cash from operating activities

	30-Jun-23 $'000	30-Jun-22 $'000
Profit / (Loss) after income tax expense for the year	5,787	(20,410)
Adjustments for:		
Depreciation and amortisation expense	3,353	3,704
Share of (profits)/losses of associates	256	588
Impairment of assets	4,385	2,982
Allowance for expected credit loss	46	44
Provision for slow moving inventory	335	-
Share-based payments expense	1,173	1,197
Unwinding of effective interest on loan	1,156	418
Fair value loss on derivative financial liability	2,325	(321)
Provision for restructuring	405	-
Fair value gain on recognition of investment in associate	(30,235)	-
Loss on extinguishment of financial liability	-	1,230
Gain on disposal of fixed assets	-	(812)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,298	146
Decrease/(increase) in inventories	403	(981)
Decrease/(increase) in other assets	244	(1,108)
Increase/(decrease) in trade and other payables	5,551	(297)
Increase/(decrease) in employee benefits	61	(201)
Increase/(decrease) in other liabilities	(1,611)	1,965
Increase/(decrease) in provisions	(707)	686
Increase/(decrease) in provision for income tax	(172)	259
Net cash from / (used in) operating activities	**(5,947)**	**(10,911)**

48 Changes in liabilities arising from financing activities

Consolidated	Business loan $'000	Chattel mortgage $'000	Lease liability $'000	Total $'000
Balance at 30 June 2021	6,552	257	14,286	21,095
Liabilities arising from business combinations	-	405	2,675	3,080
Net cash from / (used in) financing activities	5,712	(85)	(1,235)	4,392
Unwinding of interest on warrants issued	418	-	-	418
Transaction costs capitalised onto the loan balance	200	-	-	200
Loss on extinguishment of financial liability	1,230	-	-	1,230
Reduction to lease liabilities through lease modifications	-	-	(2,963)	(2,963)
Balance at 30 June 2022	14,112	577	12,763	27,452
Liabilities arising from business combinations (note 43)	-	-	3,735	3,735
Acquisition of plant and equipment by way of leases	-	-	1,733	1,733
Net cash from / (used in) financing activities	5,974	(464)	(1,746)	3,764
Unwinding of effective interest on loan	1,156	-	-	1,156
Transaction costs capitalised onto the loan balance	(4,920)	-	-	(4,920)
Balance at 30 June 2023	**16,322**	**113**	**16,485**	**32,920**

Notes to the consolidated financial statements

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49 Events after the reporting period

Post 30 June 2023, the following significant events occurred:

a) On 31st July 2023, the Company executed a binding agreement for the sale of 100% of Jetty Road Brewery Pty Ltd.

b) On 2nd August 2023, the Company executed a binding agreement with its senior lender, Pure Asset Management, with a number of amendments to the existing facility agreement. Key terms agreed primarily allow the company flexibility and time to execute the key pillars of the strategic review in an orderly manner. These terms include:
- Covenant relief for H1 FY2024 including waiver of any penalty interest due.
- 75% of interest charges relating to H1 FY2024 to be capitalised onto the loan balance.
- Flexibility to allow bridging finance loan to be executed.

In return for the increased flexibility and liquidity support, the company has agreed to the following increase in the cost of funding:
- Base interest rate increase from 8.5% to 11.5% from H1 FY2024.
- Increase in the exit cost of the royalty agreement of 5.5times the trailing 12 months of royalty payments.

c) On 18th August 2023, the Company secured an additional $5m in short-term debt funding from a private family office funding entity. The loan has a 6 month term with interest capitalised onto the loan on final repayment in February 2024.
The loan allows the company flexibility and time to execute the key pillars of the strategic review in an orderly manner.

Apart from the above, 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.

50 Share-based payments

The Group has adopted an employee incentive plan to reward, retain and attract certain employees, consultants and directors of the Group.

Carefully designed, performance linked, equity plans are widely considered to be effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Group’s strategy, the Board wishes to be in a position to grant Employee Incentives under the Employee Incentive Plan to employees to achieve the objectives outlined above.

The Board is aware of general Shareholder concern that long-term equity based rewards for employees should be linked to achievements by the Group. Employee Incentives granted under the Employee Incentive Plan to eligible participants may be subject to exercise conditions or performance criteria for each participating employee as determined by the Board from time to time.

Pursuant to the Employee Incentive Plan, the Group may offer Plan Shares, Employee Options or Performance Rights on the terms and conditions summarised below.

Eligibility
Any employee, consultant or director of Mighty Craft Limited may be declared by the Board, in its sole and absolute discretion, to be eligible to participate in the Employee Incentive Plan (Eligible Employee). While all directors are eligible to participate in the Employee Incentive Plan, such future participation will be subject to Mighty Craft Limited obtaining all requisite shareholder approvals.

Offer
The Board may from time to time in its absolute discretion make a written offer to Eligible Employees to apply for or be issued a specific number of Employee Incentives, upon the terms set out in the Employee Incentive Plan and upon such additional terms and conditions as the Board determines.

Consideration
An Eligible Employee may be required to pay an issue price in consideration for the grant of an Employee Incentive under the Employee Incentive Plan.

Maximum allocation
The Employee Incentive Plan provides a limit on the number of Employee Incentives that can be issued under the plan such that an issue of an Employee Incentive must not result in the number of Plan Shares, Employee Options or Employee Performance Rights issued under the Employee Incentive Plan, in aggregate, exceeding 8.5% of the total number of Shares on issue as at the date of the proposed issue of Employee Incentives.

Employee loans
The Employee Incentive Plan also provides that the Board may, in its discretion, elect to provide an Eligible Employee with a limited recourse, interest-free loan for an amount equal to the issue price of any Employee Incentives to enable the Eligible Employee to subscribe for Employee Incentives. These loans are repayable on the earlier of:

i. the Employee ceasing to be employed by the Company; or
ii. 30 days after the date the Employee sells, transfers or otherwise deals with the Shares.

In the event that a loan is repayable by the Eligible Employee to the Company, the Company's sole recourse in the event that the Eligible Employee defaults on their obligation to repay the loan will be limited to the Employee Incentives to which the loan relates and the Company may deal with those Employee Incentives by treating the Employee Incentives as having been forfeited or lapsed.

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50 Share-based payments (continued)

Minimum holding period
A legal or a beneficial interest in a Share issued under the Employee Incentive Plan may not be disposed of until the Share has vested.

The Board may specify, in its absolute discretion, a specific holding period and/or Restrictions that apply to some or all of the Shares, Plan Shares, Employee Options or Employee Performance Rights offered to a person in any Offer (Holding Period).

Shares issued on exercise
Shares issued upon exercise of an Employee Option or an Employee Performance Right will rank equally with the Shares of Mighty Craft Limited and third party interests and Mighty Craft Limited will apply to ASX for quotation of the Shares.

Participation in new issues, voting rights and dividends
There are no participation rights or entitlements inherent in the Employee Options nor the Employee Performance Rights and Employee Option Holders and Performance Rights Holders will not be entitled to vote, receive any dividends or participate in new issues of capital offered to Shareholders during the currency of the Employee Options and the Employee Performance Rights unless and until the Employee Options have been exercised or the Performance Criteria have been satisfied and the Performance Rights Holder is issued Shares.

Employee performance rights
Each Employee Performance Right entitles an Eligible Employee (Performance Rights Holder) to be issued one Share upon the satisfaction of the Performance Criteria and the exercise of that Performance Right. The Employee Performance Rights will be subject to performance criteria (Performance Criteria) which must be satisfied during the period specified by the Board of Mighty Craft Limited (Performance Period). At the end of the Performance Period the Board will determine and notify the Performance Rights Holder if a Performance Criteria has been satisfied.

Set out below are the summaries of employee performance rights granted under the plan:

2023

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited / Expired / Other	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
12/07/2021	30/06/2022	12/07/2036	$0.00	773,333	-	(773,333)	-	-	-
12/07/2021	30/06/2022	12/07/2036	$0.00	515,556	-	(515,556)	-	-	-
12/07/2021	30/06/2023	12/07/2036	$0.00	1,200,000	-	(1,200,000)	-	-	-
12/07/2021	30/06/2023	12/07/2036	$0.00	800,000	-	(800,000)	-	-	-
7/10/2021	30/06/2022	7/10/2036	$0.00	485,421	-	-	485,421	485,421	-
22/02/2022	30/06/2023	22/02/2037	$0.00	1,065,472	-	-	1,065,472	-	1,065,472
22/02/2022	30/06/2023	22/02/2037	$0.00	710,318	-	-	710,318	-	710,318
22/02/2022	30/06/2022	22/02/2037	$0.00	2,182,144	-	(571,429)	1,610,715	1,610,715	-
22/02/2022	30/06/2023	22/02/2037	$0.00	928,571	-	-	928,571	928,571	-
22/02/2022	30/06/2024	22/02/2037	$0.00	2,448,276	-	-	2,448,276	-	2,448,276
22/02/2022	18/10/2024	22/02/2037	$0.00	100,000	-	(100,000)	-	-	-
22/02/2022	3/11/2024	22/02/2037	$0.00	100,000	-	-	100,000	-	100,000
1/07/2022	30/06/2024	1/07/2037	$0.00	-	2,144,928	(159,339)	1,985,589	-	1,985,589
1/07/2022	30/06/2024	1/07/2037	$0.00	-	1,429,901	(106,226)	1,323,675	-	1,323,675
21/11/2022	30/06/2024	21/11/2037	$0.00	-	1,281,517	(1,281,517)	-	-	-
21/11/2022	30/06/2024	21/11/2037	$0.00	-	854,345	(854,345)	-	-	-
18/10/2022	30/06/2025	18/10/2037	$0.00	-	5,279,500	(343,750)	4,935,750	-	4,935,750
18/10/2022	30/06/2025	18/10/2037	$0.00	-	3,519,665	(229,166)	3,290,499	-	3,290,499
21/11/2022	30/06/2025	21/11/2037	$0.00	-	2,739,167	(2,739,167)	-	-	-
21/11/2022	30/06/2025	21/11/2037	$0.00	-	1,826,111	(1,826,111)	-	-	-
21/11/2022	28/02/2023	21/11/2037	$0.00	-	3,752,000	-	3,752,000	3,752,000	-
21/11/2022	30/06/2025	21/11/2037	$0.00	-	1,848,000	(1,848,000)	-	-	-
15/08/2022	30/06/2023	15/08/2037	$0.00	-	79,750	(2,000)	77,750	77,750	-
				11,309,091	**24,754,884**	**(13,349,939)**	**22,714,036**	**6,854,457**	**15,859,579**
Weighted average exercise price				-	-	-	-		

Notes to the consolidated financial statements
for the year ended 30 June 2023

50 Share-based payments (continued)

2022

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited / Expired / Other	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
23/09/2019	23/09/2022	16/10/2022	$0.40	120,000	-	120,000	-	-	-
12/11/2019	12/11/2021	1/01/2022	$0.50	800,000	-	800,000	-	-	-
11/02/2020	11/02/2021	11/02/2031	$0.50	700,000	-	700,000	-	-	-
11/02/2020	11/02/2021	11/02/2031	$0.50	20,000	-	20,000	-	-	-
20/02/2020	20/02/2021	20/02/2031	$0.50	100,000	-	100,000	-	-	-
20/07/2020	20/07/2022	20/08/2022	$0.28	75,000	-	75,000	-	-	-
30/11/2020	30/11/2022	31/12/2022	$0.37	150,000	-	150,000	-	-	-
20/07/2020	20/07/2022	20/08/2022	$0.27	100,000	-	100,000	-	-	-
12/07/2021	30/06/2022	12/07/2036	$0.00	-	773,333	-	773,333	-	773,333
12/07/2021	30/06/2022	12/07/2036	$0.00	-	515,556	-	515,556	515,556	-
12/07/2021	30/06/2023	12/07/2036	$0.00	-	1,200,000	-	1,200,000	-	1,200,000
12/07/2021	30/06/2023	12/07/2036	$0.00	-	800,000	-	800,000	-	800,000
7/10/2021	30/06/2022	7/10/2036	$0.00	-	485,421	-	485,421	485,421	-
22/02/2022	30/06/2023	22/02/2037	$0.00	-	1,065,472	-	1,065,472	-	1,065,472
22/02/2022	30/06/2023	22/02/2037	$0.00	-	710,318	-	710,318	-	710,318
22/02/2022	30/06/2022	22/02/2037	$0.00	-	2,196,430	14,286	2,182,144	2,182,144	-
22/02/2022	30/06/2023	22/02/2037	$0.00	-	928,571	-	928,571	-	928,571
22/02/2022	30/06/2024	22/02/2037	$0.00	-	2,448,276	-	2,448,276	-	2,448,276
22/02/2022	16/08/2023	22/02/2037	$0.00	-	285,000	285,000	-	-	-
22/02/2022	18/10/2024	22/02/2037	$0.00	-	100,000	-	100,000	-	100,000
22/02/2022	3/11/2024	22/02/2037	$0.00	-	100,000	-	100,000	-	100,000
				2,065,000	**11,608,377**	**2,364,286**	**11,309,091**	**3,183,121**	**8,125,970**
Weighted average exercise price				-	-	-	-		

The weighted average share price during the financial year was $0.15 (2022: $0.29).

The weighted average remaining contractual life of employee performance rights outstanding at the end of the financial year was 14 years and 3 months (2022: 14 years and 6 months)

For the employee performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

2023

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
1/07/2022	1/07/2037	$0.18	$0.00	65%	0.00%	2.59%	$0.04	2,144,928
1/07/2022	1/07/2037	$0.18	$0.00	65%	0.00%	2.59%	$0.18	1,429,901
21/11/2022	21/11/2037	$0.21	$0.00	65%	0.00%	1.28%	$0.23	1,281,517
21/11/2022	21/11/2037	$0.21	$0.00	65%	0.00%	1.28%	$0.34	854,345
18/10/2022	18/10/2037	$0.15	$0.00	65%	0.00%	3.45%	$0.07	5,279,500
18/10/2022	18/10/2037	$0.15	$0.00	65%	0.00%	3.45%	$0.15	3,519,665
21/11/2022	21/11/2037	$0.21	$0.00	65%	0.00%	3.20%	$0.13	2,739,167
21/11/2022	21/11/2037	$0.21	$0.00	65%	0.00%	3.20%	$0.21	1,826,111
21/11/2022	21/11/2037	$0.21	$0.00	-	-	-	$0.21	3,752,000
21/11/2022	21/11/2037	$0.21	$0.00	-	-	-	$0.21	1,848,000
15/08/2022	15/08/2037	$0.19	$0.00	-	-	-	$0.19	79,750
								24,754,884

Notes to the consolidated financial statements
for the year ended 30 June 2023

50 Share-based payments (continued)

2022

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
12/07/2021	12/07/2036	$0.34	$0.00	70%	0.00%	1.28%	$0.14	773,333
12/07/2021	12/07/2036	$0.34	$0.00	70%	0.00%	1.28%	$0.34	515,556
12/07/2021	12/07/2036	$0.34	$0.00	70%	0.00%	1.28%	$0.23	1,200,000
12/07/2021	12/07/2036	$0.34	$0.00	70%	0.00%	1.28%	$0.34	800,000
7/10/2021	7/10/2036	$0.29	$0.00	70%	0.00%	1.28%	$0.29	485,421
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.18	1,065,472
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	710,318
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	2,196,430
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	928,571
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	2,448,276
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	285,000
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	100,000
22/02/2022	22/02/2037	$0.31	$0.00	61%	0.00%	1.57%	$0.31	100,000
								11,608,377

Vendor performance rights
Set out below are summaries of vendor performance rights:

2023

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year	Not Exercisable at the end of the year
3/11/2019	30/11/2022	-	500,000	-	(500,000)	-	-	-
			500,000	**-**	**(500,000)**	**-**	**-**	**-**

Warrants
As part of the agreement with Whisky Development Syndicate Pty Ltd, during the financial year investors of the Whisky Development Syndicate received warrants in Mighty Craft Limited.

For the warrants granted during the current financial year, the binomial valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
4/07/2022	30/09/2024	$0.17	$0.35	65%	0.00%	2.57%	$0.03	2,310,000
								2,310,000

Directors' Declaration

In the directors' opinion:

(a) the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

(c) 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; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Chris Malcolm
Chairman

Melbourne, Victoria
29 August 2023

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INDEPENDENT AUDITOR'S REPORT
To the Members of Mighty Craft Limited

Opinion

We have audited the financial report of Mighty Craft Limited ("the Company") and its subsidiaries (together referred to as "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 statements, 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 then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 1 in the financial report, which indicates that the Group had net cash outflows from operating activities of $5.95 million during the year ended 30 June 2023, and as at that date had net current liabilities of $2.88 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RSM

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.

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 5 and 10 in the financial statements	
The Group's revenue from continuing operations for the year ended 30 June 2023 was $82.493 million and discontinued operations was $13.588 million. The primary revenue streams are: • Wholesale beverage sales; • Retail food and beverages sales; and • Rendering of services. Whilst revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies were in compliance with the requirements of AASB 15 *Revenues from Contracts with Customers;* • Evaluating and testing the operating effectiveness of key controls related to revenue recognition; • Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the correct period; and • Conducting a combination of tests of controls, substantive analytical procedures and tests of details in respect of revenue transactions for the year.
Accounting for Business Combinations Refer to Note 43 in the financial statements	
The Group acquired the leasehold and business assets previously owned and operated by Sparkke Group Holdings Pty Ltd (referred to as Sparkke). In consideration, the Group forgave convertible notes receivable from Sparkke and relinquished its shareholdings in Sparkke. Management has determined this transaction to meet the definition of a business combination under AASB 3 *Business Combinations.*	Our audit procedures included, among others: • Obtaining the deed of termination and release and other associated documents to understand the key terms and conditions, and confirming management's assessment that the transaction was a business combination in accordance with AASB 3; • Testing the fair value of consideration transferred; • Reviewing the accuracy and completeness of the fair values of assets acquired and liabilities assumed; and • Reviewing the adequacy and completeness of the relevant disclosures in the financial report in compliance with the requirements of AASB 3.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of Goodwill
Refer to Note 22 in the financial statements</td></tr>
<tr><td>The Group had goodwill with a carrying amount of $37.369 million at 30 June 2023 relating to its acquisitions in the current and previous financial years.

Management has assessed goodwill for impairment in accordance with AASB 136 Impairment of Assets,. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount of the cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount.

The recoverable amount of 8 CGUs in relation to continuing operations was determined to be its value-in-use (VIU) at reporting date.

Management has performed the goodwill impairment assessment by:
Calculating the VIU for each identified CGU using a discounted cash flow model. These models used cash flow projections for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flow projections were then discounted to net present value using the CGU’s weighted average cost of capital (“WACC”); and
Comparing the resulting recoverable amount of the CGU to the CGU’s carrying amount.
Management also performed a sensitivity analysis over the VIU calculations, by varying the assumptions used (growth rates, revenue multiples, terminal growth rate and WACC) to assess the impact on the valuations.

We determined the impairment review of goodwill to be a Key Audit Matter due to the materiality of the goodwill balance, and the significant management judgments and assumptions used to determine the value-in-use of the CGU which contains it.</td><td>Our audit procedures in relation to management’s impairment assessment involved the assistance of our Corporate Finance team where required, and included:
Holding discussions with senior management, reviewing the Group’s ASX Announcements and reading minutes of the directors’ meetings to gather sufficient information regarding the operations for the current reporting period, as well as expectations in the future;
Assessing management’s determination that the goodwill should be allocated to 8 CGUs based on the nature of the Group’s business and the manner in which results are monitored and reported;
Assessing the valuation methodology used;
Challenging the reasonableness of key assumptions, including cash flow projections, revenue growth rates, discount rates, and sensitivities used;
Checking the mathematical accuracy of the cash flow models, and reconciling input data to supporting evidence such as approved budgets, and considering the reasonableness of these budgets;
Reviewing management’s sensitivity analysis over the key assumptions in the models, including the consideration of the available headroom and assessing whether the assumptions have been applied on a consistent basis across each scenario; and
Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.</td></tr>
</table>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Businesses held for sale and discontinued operations Refer to Note 10, 15 and 30 in the financial statements	
As part of the Group's strategy to rationalise its investment portfolio, the Group has determined Foghorn Brewery, Jetty Road, Mighty Hunter Valley, Mighty Moonee Ponds and Torquay Beverage Company as businesses which are held for sale. Consequently, the results of these businesses have been disclosed as discontinued operations. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires specific recognition, measurement and disclosure requirements relating to assets, liabilities, revenues, expenses, and cash flows of discontinued operations. We determined this to be a Key Audit Matter as these transactions involve management estimates and judgements in identification of account balances, revenue and expenses relating to the discontinued operations and related note disclosures in the financial statements.	Our audit procedures in relation to accounting and disclosure of Discontinued Operations and assets and liabilities relating to businesses held for sale included: • Reviewing management's assessment of classification and valuation of assets and liabilities relating to businesses held for sale and discontinued operations against internal and external sources of information; • Reviewing calculations to ensure assets, liabilities, revenues and expenses relating to the discontinued operations and businesses held for sale are accurately identified and reported; • Assessing management's determination of the impairment of goodwill and other assets relating to the discontinued operations and businesses held-for-sale; and • Assessing accounting policy and note disclosures to ensure that they are in accordance with the requirements of AASB 5.
Deconsolidation of Better Beer Investment Refer to Note 36 and 45 in the financial statements	
On 30 June 2023, the Group's investment in Better Beer Company Pty Ltd (referred to as Better Beer) was restructured. This restructure resulted in a loss of control over Better Beer by the Group in accordance with AASB 10 *Consolidated Financial Statements*, and as a consequence the deconsolidation of these operations in the financial statements as at 30 June 2023. The deconsolidation was considered a key audit matter due to the materiality and significance of the transaction.	Our audit procedures included: • Assessing management's determination of loss of control over the subsidiary in accordance with AASB 10; • Reviewing management's deconsolidation workings including recalculation of the fair gain on recognition of the investment in associate; • Reviewing management's valuation of Better Beer at the date of deconsolidation including the reasonableness of key assumptions; and • Assessing the accounting for the investment in accordance with AASB 128 *Investment in Associate.*

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included 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 accordingly 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.

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 have 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/ar2_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 the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Mighty Craft Limited, 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.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 29 August 2023
Melbourne, Victoria

Shareholder Information as at 15 August 2023

(a) The distribution of shareholding was as follows:

	Ordinary Shares	
Size of Shareholding	**Shareholders**	**% of total shares issued**
1 - 1000	34	0.0%
1001 - 5000	779	0.6%
5001 - 10,000	393	0.8%
10,001 - 100,000	783	7.8%
100,001 and over	359	90.7%

(b) 1,317 shareholders hold less than a marketable parcel of shares, being a market value of less than $500.

(c) Substantial shareholders based on notifications to the Company were

Shareholder	Number	% Held
CITICORP NOMINEES PTY LIMITED	28,257,971	7.75%
CHRISTOPHER HASTINGS MALCOLM	20,682,968	5.68%
STEVEN CHRISTOPHER DORMAN <DORMAN FAMILY A/C>	17,285,712	4.74%
MR TOBIAS LEE KLINE <KLINE FAMILY A/C>	17,285,712	4.74%

(d) The fully paid issued capital of the Company consisted of 359,564,428 shares held by 3,665 shareholders. Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

Plan	Number on Issue	Number of Holders
SERVICE RIGHTS VEST 30/06/24	2,733,274	7
SERVICE RIGHTS VEST 11/03/2024	100,000	1
SERVICE RIGHTS VEST 18/10/2024	100,000	1
PERFORMANCE RIGHTS ESCROWED	500,000	1
PERF RIGHTS-FY20 LTIP	485,421	3
PERF RIGHTS FY21 LTIP	2,249,474	10
SERVICE RIGHTS VEST 30/06/22	1,625,001	8
SERVICE RIGHTS VEST 30/06/23	928,571	4
FY22 PERORMANCE RIGHTS	3,005,911	13
FY23 PERORMANCE RIGHTS	8,799,165	16
WARRANTS EXP 4/9/2024	15,000,000	1
WARRANTS EXP 30/09/2024	2,310,000	9
WARRANTS EXP 20/07/2025	5,000,000	11

Shareholder Information as at 15 August 2023 (continued)

(f) Twenty largest shareholders

Shareholder	Number	% Held
CITICORP NOMINEES PTY LIMITED	28,257,971	7.75%
CH MALCOLM SUPER FUND PTY LTD <THE MALCOLM SUPER FUND A/C>	20,682,968	5.68%
STEVEN CHRISTOPHER DORMAN <DORMAN FAMILY A/C>	17,285,712	4.74%
MR TOBIAS LEE KLINE <KLINE FAMILY A/C>	17,285,712	4.74%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,086,369	4.69%
NATIONAL NOMINEES LIMITED	10,982,991	3.01%
SACHA LA FORGIA <LA FORGIA FAMILY A/C>	8,571,427	2.35%
DISCOVERY INVESTMENTS PTY LTD <RASCOL FAMILY A/C>	8,103,874	2.22%
MUTUAL TRUST PTY LTD	7,936,500	2.18%
SEPPELTSFIELD PTY LTD <SEPPELTSFIELD ESTATE A/C>	6,910,000	1.90%
BTW HOLDINGS PTY LTD	6,191,000	1.70%
NEVERN SQUARE PTY LTD <THE AP A/C>	6,077,730	1.67%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,857,909	1.61%
MR DOMINIC VIRGARA	5,800,000	1.59%
SEACHANGE AUSTRALIA ENTERPRISES PTY LTD <FF INVESTMENT A/C>	5,409,020	1.48%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	5,380,984	1.48%
DANIEL JAMES WALES + JAKLINA WALES <THE JALUKA FAMILY A/C>	5,300,000	1.45%
IGNITION CAPITAL PTY LTD <IGNITION SUPER FUND A/C>	3,877,524	1.06%
SEYMOUR-NEWTON PTY LTD	3,386,731	0.93%
BREWERTON LIQUID VENTURES PTY LTD <BREWERTON FAMILY A/C>	3,000,000	0.82%

The twenty members holding the largest number of shares together held a total of 53.06% of the issued capital.

(g) Restricted Shares

There are no restricted shares on issue.

Corporate Directory

Mighty Craft Limited	ABN: 13 622 810 897 and subsidiaries	
Directors	Chris Malcolm Katie McNamara Trevor O'Hoy Sean Ebert	Non-Executive Chairman (appointed 25 May 2023) Non-Executive Director (appointed 17 April 2023) Non-Executive Director (appointed 17 April 2023, resigned 25 August 2023) Non-Executive Director
Company secretary	Andrew Syme	
Principal Registered Office	26 Cato Street Hawthorn East VIC 3123 Telephone: +61 3 9811 9974 (within Australia) Web: www.mightycraft.com.au	
Share registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505 Web: www.computershare.com.au E-mail: webqueries@computershare.com.au	
Auditors	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000	
Legal Advisors	Coghlan Duffy & Co Lawyers Level 42, Rialto South Tower 525 Collins Street Melbourne VIC 3000	
Stock exchange listing	Mighty Craft Limited shares are listed on the Australian Securities Exchange (ASX code: MCL)	
Corporate Governance Statement	https://www.mightycraft.com.au/investor/#Governance	