



**Lark Distilling Co.**

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

## **Appendix 4E Preliminary Final Report – 30 June 2020**

*Provided to the ASX under Listing Rule 4.3A*

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Corporate directory**  
**30 June 2020**

Directors	Mr David Dearie (Chairman) Mr Geoff Bainbridge (Managing Director) Mr Warren Randall (Non-Executive Director) Mr Laurent Ly (Non-Executive Director) Ms. Laura McBain (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 1 30 Argyle Street Hobart TAS 7000
Principal place of business	Level 1 30 Argyle Street Hobart TAS 7000
Auditor	Deloitte Level 8 22 Elizabeth Street Hobart TAS 7000
Stock exchange listing	Lark Distilling Co. Ltd shares are listed on the Australian Securities Exchange (ASX code: LRK)

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Contents**  
**30 June 2020**

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**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	Lark Distilling Co. Ltd
ABN:	62 104 600 544
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

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

			\$
Revenues from ordinary activities	up	34.5% to	7,426,459
Loss from ordinary activities after tax attributable to the owners of Lark Distilling Co. Ltd	down	70.6% to	(1,272,296)
Loss for the year attributable to the owners of Lark Distilling Co. Ltd	down	70.6% to	(1,272,296)

*Dividends*

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

*Comments*

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

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	47.64	49.69

On 3 April 2020 Lark Distilling Co. finalised its consolidation of its securities on a 30 for 1 basis. This has been reflected in the prior reporting period for comparative purposes.

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

Not applicable.

**5. Dividends**

*Current period*

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

*Previous period*

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

**6. Dividend reinvestment plans**

Not applicable.

## 7. Details of associates and joint venture entities

Not applicable.

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## 8. Foreign entities

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

Not applicable.

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## 9. Audit qualification or review

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

The financial statements are in the process of being audited.

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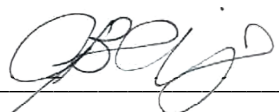
## 10. Attachments

*Details of attachments (if any):*

The review of operations, statement of comprehensive income, statement of financial position statement of cash flows and statement of changes in equity are attached to this report, as are key notes to those financial statements.

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## 11. Signed

Signed  \_\_\_\_\_

Geoff Bainbridge  
Managing Director

Date: 28 August 2020

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Review of operations**  
**30 June 2020**

**Review of operations – 2020**

Lark undertook significant marketing investment throughout the year which resulted in sales revenues for the year ended 30 June 2020 being 35% higher than the previous corresponding period. The sales growth for the June quarter was 45% higher year on year to \$2.2m. The Group undertook its first ever National advertising campaign for Lark Whisky, designed to raise domestic brand awareness and provide support to key off premise accounts.

Implementing a direct distribution model, Lark ceased the mainland Australia distribution arrangement with Proof & Co. effective 1 July 2020, with the direct model now under the leadership of Head of Sales, Phil Henderson.

Lark continued its focus of production and investment in whisky inventories, reporting a 54% increase on its 1<sup>st</sup> July 2019 opening balance, through efficiency yields and the addition of a 2<sup>nd</sup> shift at its Cambridge site maximising new make spirit production.

Lark Distilling Co. - Litres of Whisky Maturing as at 30 June 2020 at 43% ABV				
FY Maturing	Litres of Whisky at Maturation at 43% ABV	Liquidation Value Today		Estimated Net Sales Value at Maturation Date
2021	97,513	\$	13,554,299	\$ 13,554,299
2022	63,998	\$	7,741,978	\$ 8,895,766
2023	120,595	\$	11,809,490	\$ 16,762,670
2024	134,097	\$	10,752,680	\$ 18,639,518
2025	106,747	\$	6,484,360	\$ 14,837,797
2026+	188,363	\$	6,592,720	\$ 26,182,517
<b>Grand Total</b>	<b>711,313</b>	<b>\$</b>	<b>56,935,527</b>	<b>\$ 98,872,568</b>

The Group closed out the year with total whisky inventories under maturation of 711,313 litres, at a cost of \$16.74m and a maturation value of \$98.8m. The maturation market value is based on an estimated future net sales value which is equal to what the Group's net sales value achieved today. The market value presented has an inherent risk in that the estimated net sales value will be achieved on maturation, therefore consideration needs to be given to market conditions at that point in time.

The June quarter saw the completion of a new column still at a cost of approximately \$743k for the production of a new whisky product line, working title AX8, as well as the base alcohol for Forty Spotted Gin and Lark Sanitiser.

Management continued to drive its focus on the Lark brand by divesting non-core assets through the sale of the Overeem Single Malt Whisky trademark and limited whisky inventory on the 19<sup>th</sup> February 2020 and execution of a share/inventory swap with Old Kempton Distillery on 8 April 2020.

In order to support future growth plans and further improve the balance sheet position the Group obtained access to \$5m of debt funding on the 14<sup>th</sup> March 2020, through a facility provided by its largest shareholder Quality Life Pty Ltd.

**Financial Position**

The net assets of the Lark remain strong at \$37.38 million as at 30 June 2020 (a decrease of \$0.66 million from 30 June 2019). This decrease is largely due to the following:

- Net loss for year of \$1.28 million; driven by the following:
  - a) Gross profit of \$4.04 million;
  - b) Other income of \$0.75 million;
  - c) Operating expenses of \$5.90 million;
  - d) Net finance costs of \$0.17 million.
- Lark's working capital, being current assets less current liabilities, is \$9.00 million at 30 June 2020 (30 June 2019: \$11.69 million).
- Net cash outflows utilised in funding operating activities during the year was \$3.53m. However, this included \$7.89 million in inventory costs paid to lay down new make spirit for future sale. The inventory payments represent a significant investment in the Group's inventory to underpin future revenue streams.

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Revenue</b>			
Sales revenue	2	7,426,459	5,523,207
Cost of sales	4	<u>(3,384,365)</u>	<u>(2,639,740)</u>
Gross profit		<u>4,042,094</u>	<u>2,883,467</u>
Other income	3	748,803	30,681
<b>Expenses</b>			
Selling and distribution expenses	4	(824,856)	(371,091)
Administration expenses		(2,401,675)	(3,129,769)
Employee benefits expense		(2,541,438)	(2,070,493)
Depreciation and amortisation expense	5	(127,068)	(57,428)
Impairment expenses	4	<u>-</u>	<u>(1,367,269)</u>
<b>Loss before interest and tax expense</b>		<u>(1,104,140)</u>	<u>(4,081,902)</u>
Finance income	6	19,117	116,908
Finance costs	7	<u>(187,273)</u>	<u>(362,075)</u>
<b>Loss before income tax expense</b>		<u>(1,272,296)</u>	<u>(4,327,069)</u>
Income tax expense	8	<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the year attributable to the owners of Lark Distilling Co. Ltd</b>	4	<u>(1,272,296)</u>	<u>(4,327,069)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>447</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>447</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year attributable to the owners of Lark Distilling Co. Ltd</b>		<u><u>(1,271,849)</u></u>	<u><u>(4,327,069)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(2.34)	(7.96)
Diluted earnings per share		(2.34)	(7.96)

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

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Statement of financial position**  
**As at 30 June 2020**

	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,119,362	6,731,306
Trade and other receivables	10	1,532,937	525,868
Inventories	11	4,950,050	6,306,572
Prepaid assets		21,244	39,368
Total current assets		<u>12,623,593</u>	<u>13,603,114</u>
<b>Non-current assets</b>			
Trade and other receivables	12	-	185,705
Inventories	13	14,329,411	8,469,516
Financial assets	14	-	300,000
Property, plant and equipment	15	7,907,617	6,802,476
Right-of-use assets	16	206,930	-
Intangibles	17	11,229,315	11,031,472
Total non-current assets		<u>33,673,273</u>	<u>26,789,169</u>
<b>Total assets</b>		<u>46,296,866</u>	<u>40,392,283</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	3,054,055	1,277,015
Financial liabilities	19	423,612	474,024
Employee benefits	20	150,263	161,337
Total current liabilities		<u>3,627,930</u>	<u>1,912,376</u>
<b>Non-current liabilities</b>			
Trade and other payables		17,247	5,017
Borrowings	21	5,000,000	-
Financial liabilities	22	176,060	377,236
Employee benefits		98,531	58,347
Total non-current liabilities		<u>5,291,838</u>	<u>440,600</u>
<b>Total liabilities</b>		<u>8,919,768</u>	<u>2,352,976</u>
<b>Net assets</b>		<u><u>37,377,098</u></u>	<u><u>38,039,307</u></u>
<b>Equity</b>			
Issued capital	23	49,475,985	49,361,969
Reserves	24	543,712	47,641
Accumulated losses	25	(12,642,599)	(11,370,303)
<b>Total equity</b>		<u><u>37,377,098</u></u>	<u><u>38,039,307</u></u>

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

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2018	37,964,572	47,813	(7,047,849)	4,615	30,969,151
Loss after income tax expense for the year	-	-	(4,327,069)	-	(4,327,069)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	(4,327,069)	-	(4,327,069)
<i>Transactions with owners in their capacity as owners:</i>					
FX arising from translating	-	(172)	-	-	(172)
Non-controlling interest of Lark Distillery Pty Ltd	-	-	4,615	(4,615)	-
Shares issued during the year	11,946,049	-	-	-	11,946,049
Shares issue cost	(548,652)	-	-	-	(548,652)
Balance at 30 June 2019	49,361,969	47,641	(11,370,303)	-	38,039,307

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2019	49,361,969	47,641	(11,370,303)	38,039,307
Loss after income tax expense for the year	-	-	(1,272,296)	(1,272,296)
Other comprehensive income for the year, net of tax	-	447	-	447
Total comprehensive income / (loss) for the year	-	447	(1,272,296)	(1,271,849)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	114,016	-	-	114,016
Share-based payments	-	495,624	-	495,624
Balance at 30 June 2020	49,475,985	543,712	(12,642,599)	37,377,098

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

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		8,348,262	6,709,266
Payments to suppliers and employees (inclusive of GST)		(3,858,586)	(5,206,874)
Purchase of inventory		(7,887,738)	(5,797,616)
Interest paid		(163,315)	(362,075)
Interest received		33,385	116,908
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities	27	<u>(3,527,992)</u>	<u>(4,540,391)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,330,644)	(656,470)
Payments for intangibles		(244,996)	(52,007)
Proceeds from sale of property, plant and equipment		6,000	-
		<u>                    </u>	<u>                    </u>
Net cash used in investing activities		<u>(1,569,640)</u>	<u>(708,477)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	11,946,049
Proceeds from borrowings		5,000,000	262,301
Repayment of borrowings		(490,354)	(6,401,333)
Payment of lease liabilities under AASB 16		(23,958)	-
Share issue transaction costs		-	(687,662)
		<u>                    </u>	<u>                    </u>
Net cash from financing activities		<u>4,485,688</u>	<u>5,119,355</u>
Net decrease in cash and cash equivalents		(611,944)	(129,513)
Cash and cash equivalents at the beginning of the financial year		<u>6,731,306</u>	<u>6,860,819</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,119,362</u></u>	<u><u>6,731,306</u></u>

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

**Lark Distilling Co. Ltd**  
**(Formerly known as Australian Whisky Holdings Limited)**  
**Notes to the financial statements**  
**30 June 2020**

**Note 1. General information**

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

This preliminary financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The entity is involved in significant expansionary activity and as such, is currently cash absorbing. During the period the entity incurred a loss of \$1,272,296 (FY19: \$4,327,069) and had net cash outflows from operating activities of \$3,527,992 (FY19: \$4,540,391). As at 30 June 2020 the entity had cash and cash equivalents of \$6,119,362 (FY19: \$6,731,306).

The directors have approved a cash flow forecast which includes further expansionary activities in the production of new-make spirit for the FY2021 year which will absorb cash throughout FY2021 and beyond. Due to having no current contracted or legal obligations to increase production or undertake expansionary capital expenditure, the entity has the ability to undertake mitigating actions in response to any cash flow uncertainties or potential risks that may arise after the date of this report. Such actions include ceasing or reducing the level of expansionary whisky production, and the deferral or suspension of non-critical capital expenditure.

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

**Note 2. Revenue**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Operating activity</i>		
Whisky revenue	4,889,832	3,219,020
Gin revenue	1,360,944	1,439,085
Other	1,175,683	865,102
	<u>7,426,459</u>	<u>5,523,207</u>

**Revenue recognition**

The Group recognises revenue as follows:

*Revenue from contracts with customers*

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

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

**Note 2. Revenue (continued)**

*Sale of goods*

Revenue derived from the sale of inventories to customers is recognised at the time of delivery.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is primarily hand sanitiser for the current year, as well as brandy and other alcohol sold, and is recognised when it is received or when the right to receive payment is established.

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
R&D grant income	30,185	30,681
Government grant income	336,457	-
Excise rebate income	100,000	-
Gain on sale of Overeem brand	165,000	-
Other income	117,161	-
	<u>748,803</u>	<u>30,681</u>

*Government grant income*

Government grant incentive relates to Job Keeper government incentive payments in response to COVID-19.

*Gain on sale of Overeem brand*

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

**Lark Distilling Co. Ltd**  
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**Notes to the financial statements**  
**30 June 2020**

**Note 4. Loss before income tax expense**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
<b>Loss before income tax determined after</b>		
Impairment expense - Group assets*	-	(1,367,269)
Cost of goods sold	(3,384,363)	(1,714,946)
Directors fees	(542,997)	(223,425)
Consulting fees	(499,728)	(696,283)
Selling and marketing expenses	(824,857)	(371,091)
Legal fees	(336,307)	(593,761)
Occupancy costs	(234,674)	(237,483)
Transport, travel and entertainment	(98,840)	(318,160)
	<u>(5,921,766)</u>	<u>(5,522,418)</u>

\*Impairment of group assets relates to:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
Goodwill impaired - relating to Nant acquisition	-	(837,586)
Bothwell real estate asset writedown	-	(529,683)
	<u>-</u>	<u>(1,367,269)</u>

**Note 5. Depreciation and amortisation**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
Depreciation on property, plant and equipment	(48,097)	(23,282)
Amortisation on intangibles	(47,135)	(34,146)
Depreciation on right-of-use assets	(31,836)	-
Total depreciation and amortisation expense	<u>(127,068)</u>	<u>(57,428)</u>
Depreciation capitalised into inventory	<u>(171,406)</u>	<u>(162,818)</u>

**Note 6. Finance income**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
Interest income	<u>19,117</u>	<u>116,908</u>

**Note 7. Finance costs**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Interest expense	(147,672)	(318,101)
Bank and other fees	(39,601)	(43,974)
	<u>(187,273)</u>	<u>(362,075)</u>

**Lark Distilling Co. Ltd**  
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**Notes to the financial statements**  
**30 June 2020**

**Note 8. Income tax expense**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,272,296)	(4,327,069)
Tax at the statutory tax rate of 27.5%	(349,881)	(1,189,944)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Asset impairment	-	375,999
Legal fees	-	163,285
Share-based payments	148,687	-
R&D offset income	(8,300)	-
	(209,494)	(650,660)
Tax losses not recognised	209,494	650,660
Income tax expense	-	-

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	27,280,068	23,527,985
Potential tax benefit @ 27.5%	7,502,019	6,470,196

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

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	3,767	4,253
Cash at bank	6,115,595	668,520
Cash on deposit	-	6,058,533
	6,119,362	6,731,306

*Accounting policy for cash and cash equivalents*

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

**Lark Distilling Co. Ltd**  
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**Notes to the financial statements**  
**30 June 2020**

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,228,265	397,017
Other receivables	279,376	89,832
Expected future credit losses	(20,828)	(5,442)
Deposits paid	46,124	44,461
	<u>1,532,937</u>	<u>525,868</u>

*Accounting policy for trade and other receivables*

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

**Note 11. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Raw materials - at cost	1,486,300	1,831,490
Work in progress - at cost	784,961	-
Finished goods - at cost	346,094	518,562
Inventory in casks	2,332,695	3,956,520
	<u>4,950,050</u>	<u>6,306,572</u>

*Accounting policy for inventories*

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Note 12. Non-current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Deposit paid	-	184,621
Other receivables	-	1,084
	<u>-</u>	<u>185,705</u>

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Inventory in casks	<u>14,329,411</u>	<u>8,469,516</u>

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

**Note 14. Non-current assets - financial assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Investment in Old Kempton - at fair value	<u>-</u>	<u>300,000</u>

On 8 April 2020, the group executed a Buy-Back Agreement with Old Kempton Distillery (OKD) whereby OKD bought back LRK's 12% share of OKD (acquired in 2016 for \$300,000) in return for 12% of the current whisky inventory of OKD.

**Note 15. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Land - at cost	4,564,644	4,564,644
Impairment	<u>(529,683)</u>	<u>(529,683)</u>
	4,034,961	4,034,961
Freehold improvements - at cost	131,951	102,654
Less: Accumulated depreciation	<u>(4,601)</u>	<u>(2,615)</u>
	127,350	100,039
Office and computer equipment - at cost	395,535	35,617
Less: Accumulated depreciation	<u>(8,491)</u>	<u>(4,282)</u>
	387,044	31,335
Plant, machinery & production assets - at cost	4,115,281	3,181,780
Less: Accumulated depreciation	<u>(828,424)</u>	<u>(628,247)</u>
	3,286,857	2,553,533
Motor vehicles - at cost	154,044	154,044
Less: Accumulated depreciation	<u>(82,639)</u>	<u>(71,436)</u>
	71,405	82,608
	<u>7,907,617</u>	<u>6,802,476</u>

*Accounting policy for property, plant and equipment*

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

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

**Note 15. Non-current assets - property, plant and equipment (continued)**

Freehold land is not depreciated.

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

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

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

Freehold improvements	0% - 2.5%
Office and computer equipment	25% - 33%
Plant, machinery & production assets	5% - 33%
Motor vehicles	10% - 20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

**Note 16. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	238,766	-
Less: Accumulated depreciation	(31,836)	-
	<u>206,930</u>	<u>-</u>

*Accounting policy for right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Note 17. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	10,934,839	10,934,839
Intangible assets - at cost	461,752	216,773
Less: Accumulated amortisation	(167,276)	(120,140)
	<u>294,476</u>	<u>96,633</u>
	<u><u>11,229,315</u></u>	<u><u>11,031,472</u></u>

*Accounting policy for intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

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

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

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

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

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

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

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

**Note 17. Non-current assets - intangibles (continued)**

*Other intangible assets*

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

*Subsequent expenditure*

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

*Amortisation*

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

Intangible asset	Useful life
Intangible assets	5-8 years

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

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,010,227	482,201
Sundry creditors and accrued expenses	1,377,569	484,312
Other payables	666,259	310,502
	<u>3,054,055</u>	<u>1,277,015</u>

**Note 19. Current liabilities - Financial liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Barrel Finance and Logistics	329,570	366,634
Motor vehicles lease	47,016	18,336
Eclix	-	89,054
Lease liability	47,026	-
	<u>423,612</u>	<u>474,024</u>

*Accounting policy for financial liabilities*

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

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	<u>150,263</u>	<u>161,337</u>

*Accounting policy for employee benefits*

*Short-term employee benefits*

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

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

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loan - Quality Life Pty Ltd	<u>5,000,000</u>	<u>-</u>

The key terms of the loan are as follows:

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

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loan - Quality Life Pty Ltd	<u>5,000,000</u>	<u>-</u>

*Assets pledged as security*

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

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Barrel Finance and Logistics	-	329,573
Motor vehicles	-	47,663
Lease liability	<u>176,060</u>	<u>-</u>
	<u>176,060</u>	<u>377,236</u>

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**Note 23. Equity - issued capital**

	<b>2020</b>	<b>Consolidated</b>	<b>2020</b>	<b>2019</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>54,453,167</u>	<u>1,630,579,441</u>	<u>49,475,985</u>	<u>49,361,969</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2018	1,339,212,384		37,964,572
Issue of fully paid ordinary shares	12 November 2018	242,586,570	\$0.041	9,946,049
Issue of fully paid ordinary shares	26 November 2018	48,780,487	\$0.041	2,000,000
Share issue costs		-	\$0.000	(548,652)
Balance	30 June 2019	1,630,579,441		49,361,969
Issue of shares to settle liabilities	16 March 2020	2,297,436	\$0.039	89,600
Issue of shares to settle liabilities	16 March 2020	718,121	\$0.034	24,416
Consolidation of shares on 30 for 1 basis	28 April 2020	(1,579,141,831)	\$0.000	-
Balance	30 June 2020	<u>54,453,167</u>		<u>49,475,985</u>

*Ordinary shares*

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

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

*Share buy-back*

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

**Note 24. Equity - reserves**

	<b>Consolidated</b>	<b>2019</b>
	<b>2020</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	48,088	47,641
Share-based payments reserve	<u>495,624</u>	<u>-</u>
	<u>543,712</u>	<u>47,641</u>

*Foreign currency reserve*

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

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**Note 25. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(11,370,303)	(7,043,234)
Loss after income tax expense for the year	(1,272,296)	(4,327,069)
Accumulated losses at the end of the financial year	<u>(12,642,599)</u>	<u>(11,370,303)</u>

**Note 26. Interests in subsidiaries**

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

<b>Name</b>	<b>Principal place of business /Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2020</b>	<b>2019</b>
		<b>%</b>	<b>%</b>
Australian Whisky Holdings Bothwell Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Australian Whisky Holdings Services Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Australian Whisky Holdings Management Pty Ltd	Level 1, 30 Argyle Street, Hobart TAS 7000	100.00%	100.00%
Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited)	Beijing PRC 100022	100.00%	100.00%
Australian Whisky Holdings (HK) Limited (former name Montec International (HK) Limited)	Kowloon, Hong Kong	100.00%	100.00%
Lark Distillery Pty Ltd	20 Denholms Road, Cambridge, TAS 7170	100.00%	100.00%

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

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(1,272,296)	(4,327,069)
Adjustments for:		
Depreciation and amortisation	298,492	220,246
Impairment charges	-	1,367,269
Lease payments classified as financing	23,958	-
Payables settled via share issue	114,016	139,010
Non-cash share based payments	496,071	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(862,490)	265,865
Increase in inventories	(4,503,373)	(3,158,048)
Decrease in prepayments	18,124	282,369
Increase in other provisions	29,110	(35,005)
Decrease in financial assets	300,000	254,232
Decrease/Increase in trade creditors and accruals	1,830,396	450,740
Net cash used in operating activities	<u>(3,527,992)</u>	<u>(4,540,391)</u>