Lark Distilling Co.

(Formerly known as Australian Whisky Holdings Limited)

ABN 62 104 600 544

Annual Report – 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)

Contents

Lark Distilling Co.

Dear Shareholders,

This has been an incredible year of challenges for Australian business and the general population. The dreadful fires that impacted so much of Australia at the start of the year have been followed by the devastating impact from COVID19. I therefore trust that this finds you safe and healthy.

Your board and executive team have faced these challenges head-on and I would like, on behalf of the board to, place on record our thanks and appreciation for the incredible resilience, energy, dedication and commitment shown from the Lark employees.

Our Managing Director, Geoff Bainbridge, has worked tirelessly to ensure that the communications to and from the executive team, the board, the shareholders and investors has been timely, frequent and relevant. Unfortunately, due to travel restrictions, Geoff and the Board have been unable to visit Tasmania since February this year. However, the Board and Executives have been regularly communicating via video conference calls.

Obviously, our business has been impacted by COVID19, however we quickly adapted the operations, production and company protocols to ensure the safety of our employees and partners. As a result of these swift actions we successfully managed operations through strict COVID19 restrictions with no impact to production output.

The on-premise, hospitality and cellar door sectors generate an important and material percentage of our revenue, these parts of the business have either been closed completely or operating under reduced capacity, as a result, our growth for the year has been impacted. However, despite these challenges Lark's revenues from ordinary activities are up 34.5% to $7,426,458.

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

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 19th February 2020 and execution of a share/inventory swap with Old Kempton Distillery on 8 April 2020.

In June the executive team designed, built and commissioned 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. This was an exceptional effort from the whole Lark team in partnership with Kolmark Tasmania and has effectively doubled the distilling capacity.

In order to support our future growth plans and further improve the balance sheet position the Group obtained access to $5m of debt funding on the 14th March 2020, through a facility provided by its largest shareholder Quality Life Pty Ltd. I appreciate the support for Lark shown from Bruce Neil through Quality Life Pty Ltd.

The company's strategic plan essentially highlight's two key priorities being one to build and laydown inventory which will provide sustainable future revenues and profits, and two investing in building the Lark brand into a globally recognised and loved Tasmanian Whisky icon.

As identified above we have invested in and improved efficiencies throughout the distilling process. As a result, our inventory is growing at the levels required to support the launch of several distinctive tiers of whisky within the Lark brand. The price points and profitability of these tiers varies significantly however all inventory is recorded at cost with maturation value of almost $100m at the end of F20.

This was an active year which brought about a name change from Australian Whisky Holdings Limited (AWY) to Lark Distilling Company Limited (LRK), as shareholders you approved a new company constitution and a share consolidation. The vision for Lark Distilling Co. was finalised and communicated to employees, partners, shareholders and the investment community. I am delighted that this exciting vision is being executed and brought to life everyday by our dedicated team.

The company has also undertaken changes to our brand building approach during the year. The main focus remains on building the Lark Brand however we also continue to invest behind Forty Spotted Gin and Nant Whisky. Lark undertook significant marketing investment throughout the year and 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. The early results of this brand building investment are encouraging.

To further support our brand building initiatives, we are 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. This direct model provides Lark Distilling Company with greater influence and control of all elements of the sales process. We thank Proof & Co for their past sales endeavours.

Innovation and sector leadership drives our strategy and the executive team led by Chris Thompson (Head Distiller), Craig Johnstone (Head Operations) and Demetrius Giouzelis (Head of Brand) have developed the first Tasmanian blended whisky known as Lark Symphony No 1 and have laid down the first AX8 barrels for future release. These and similar exciting projects will continue to optimise the returns and profitability of our aging inventory.

Building outstanding brands requires a balanced approach and investment across a wide range of initiatives including our hospitality offerings. Dan Knight joined the executive team in November 2019 to lead and drive our hospitality program. Dan has a wonderful pedigree and due to the reputation and potential of our brands we are fortunate to have talent such as Dan Knight and Phil Henderson, mentioned above.

We consider hospitality as a vital element to building sustainable and profitable brands. It is incredibly important that visitors to our cellar door(s) enjoy outstanding levels of service across a board range of activities from educational seminars' and tastings, to simply relaxing and enjoying our fine whiskies and gins in venues that reflect the image, authenticity and luxury nature of our brands.

Dan quickly assessed our hospitality, presented a road map to success successful and restructured our focus and offering. In November of 2019 we opened the Lark Experience at Brooke Street Pier, with early sales exceeding expectations. We completed the fit out of the new Forty Spotted Gin Bar and office location. However, COVID19 has impacted these operations. We are hopeful that the Gin Bar will open in November to coincide with the dynamic Forty Spotted Gin Relaunch. Brooke Street Pier is planned to reopen towards the end of 2020.

I am delighted that we secured the services of Laura McBain as an independent Non-Executive Director. Laura's vast experience, commitment and local Tasmanian connections are already proving to be invaluable.

I am also delighted that in June 2020 we secured Alex Aleksic as Chief Financial Officer, already we are seeing the benefits from having Alex and his team on board. Alex has quickly established relationships with the new Auditor Deloitte and with our Company Secretary Melanie Leydin from Leydin Freyer. Alex and his finance team are busy improving the quality of our dashboards and suite of information services to all departments of the business, whilst ensuring ongoing corporate governance continues.

The global spirits category has witnessed significant growth during the past few months as consumer consumption behaviours change from on-premise to more at home consumption. The evidence suggests that premium spirit consumption will continue to grow which bodes well for the outlook of your Company.

Finally, we appreciate your on-going support of Lark Distilling Company.

Sincerely yours,

David Dearie
Chairman

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 34% 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 1st July 2019 opening balance, through efficiency yields and the addition of a 2nd 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	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
Grand Total	**711,313**	**$ 56,935,527**	**$ 98,872,568**

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 19th 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 14th March 2020, through a facility provided by its largest shareholder Quality Life Pty Ltd.

Financial Position

The net assets of 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.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Lark Distilling Co. Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors
The following persons were directors of Lark Distilling Co. Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Geoff Bainbridge (Managing Director)
Mr David Dearie (Chairman) (appointed Executive Chairman for period 4 October 2019 to 1 May 2020, Non-executive Chairman from that day forward)
Mr Warren Randall (Non-Executive Director)
Mr Laurent Ly (Non-Executive Director) (appointed 2 September 2019)
Ms. Laura McBain (Non-Executive Director) (appointed 25 May 2020)

Principal activities
The principal activities of the Group during the year ended 30 June 2020 were in the further development of investment opportunities in the Australian craft distilling industry and management of current equity investments in this industry, including the operation of the Lark, Nant, and Forty Spotted Distilleries.

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

Significant changes in the state of affairs
On 2 September 2019 Lark Distilling Co. announced the appointment of Laurent Ly as a Non-Executive Director.

On 12 September 2019 Lark Distilling Co. announced the appointment of Melanie Leydin as Company Secretary, concurrent with the resignation of Gary Stewart as Company Secretary.

On 4 October 2019 Lark Distilling Co. announced the appointment of Geoff Bainbridge and David Dearie into Executive Director roles. Mr Bainbridge took the position of Managing Director, while Mr Dearie took up the position of Executive Chairman.

Also on this date, Lark Distilling Co. announced the issue of 31,800,000 performance rights (pre-consolidation) and 35,400,000 performance rights (pre-consolidation) to Mr Bainbridge and Mr Dearie, respectively, subject to shareholder approval.

On 19 February 2020 Lark Distilling Co. signed binding Heads of Agreement for the sale of the Overeem Single Malt Whisky trademark to its founding family for the sum of $962,000 with settlement on 29th June 2020.

On 13 March 2020 Lark Distilling Co. secured $5m debt facility to strengthen the balance sheet for the term of 5 years after initial drawdown.

On 16 March 2020 Lark Distilling Co. closed its small parcel share sale facility for holdings of shares valued at less than $500.

On 3 April 2020 Lark Distilling Co. finalised its consolidation of its securities on a 30 for 1 basis, resulting in 1,633,594,998 shares being consolidated into 54,453,167 shares.

On 9 April 2020 Lark Distilling Co. executed a Buy-Back Agreement with Old Kempton Distillery (OKD) whereby OKD will buy-back Lark Distilling Co.'s's 12% share of OKD (acquired in 2016) in return for 12% of the current whisky inventory of OKD with immediate effect .

On 15 April 2020 the Company announced that it had changed its name from Australian Whisky Holdings Limited to Lark Distilling Co. Limited, following shareholder approval sought at the Company's Annual General Meeting held on 15 April 2020.

On 25 May 2020 Lark Distilling Co. announced the appointment of Ms. Laura McBain as a Non-Executive Director.

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

Matters subsequent to the end of the financial year

On 3 July 2020 Lark Distilling Co. announced the appointment of Alex Aleksic as the Chief Financial Officer of the group.

On 18 September 2020, Lark Distilling Co. successfully raised A$8.85 million via an institutional placement of shares. Total shares issued as part of this placement were 8,052,334 at a price of $1.10 per share. The proceeds raised under the placement will be used to fund the inventory build of Lark's whisky under maturation. The new shares issued were settled on 22 September 2020

No other matter or circumstance has arisen since 30 June 2020 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.

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 this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The consolidated Group's operations are not subject to significant environmental regulation under a law of China, or of the Commonwealth or of a state or territory of Australia. During the financial year, the Directors have not been notified or are aware to be in breach of any environmental regulations.

Information on directors

Name:	Mr David Dearie
Title:	Chairman (appointed Executive Chairman for period 4 October 2019 to 1 May 2020, Non-executive Chairman from that day forward)
Qualifications:	MHCIMA, Glasgow College of Food and Technology, Institute of Marketing Diploma, University of Hull
Experience and expertise:	A global beverage industry leader with over 30 years experience in alcohol retailing, distribution and brand building. Founding CEO of Treasury Wines estates Ltd (TWE), and senior executive positions with Fosters Group Ltd and Brown-Forman.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee.
Interests in shares:	None
Interests in rights:	1,180,000 performance rights

Name:	Mr Geoff Bainbridge
Title:	Managing Director
Qualifications:	Bachelor of Business from RMIT with a major in Accounting and ASIC Graduate Certificate in Applied Finance
Experience and expertise:	Over 10 years at Fosters Group Pty Ltd with experience in group strategy and business development in Australia, China, India and Vietnam; and Managing Director for the domestic Continental Sprits business. Sales and marketing specialist across a portfolio of brands including founding partner of Grill'd Burgers, Bounce Trampolines, Happy Socks and Studio Ongarato and extensive experience in business and people strategy across multiple sectors and geographies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,069,033 (shares are held by GJ Bainbridge Pty Ltd (Bainbridge Super No. 1) and Bainbridge Family Pty Ltd (Bainbridge Family A/C))
Interests in rights:	1,060,000 performance rights

Name:	Mr Warren Randall
Title:	Non-Executive Director
Qualifications:	Bachelor of Agricultural Science & Wine Science
Experience and expertise:	42 years in the Australian Wine Industry
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Remuneration and Nomination Committee
Interests in shares:	2,389,925 (shares are all held by Seppeltsfield Pty Ltd (Seppeltsfield Estate A/C))
Interests in rights:	300,000 performance rights

Name:	Mr Laurent Ly
Title:	Non-Executive Director
Qualifications:	Master's Degree in Management from Dauphine University, a post graduate degree in International Management from the Sorbonne University and a post graduate degree in Finance from ESCP-EAP
Experience and expertise:	Laurent is the founder of Spica Capital a Hong Kong based food and beverage focused investment holding company with investments ranging from alcoholic beverages to restaurants, bakery and vending machines. Prior to Spica, Laurent spent 11 years in Corporate Finance in the consumer & retail investment banking division of Lehman Brother and Nomura in London and Hong Kong , where he advised clients across a wide range of M&A and financing transactions in food and beverages, retail and hospitality in Europe and Asia.
Other current directorships:	Laurent is a Board member of Pirata Group, Eric Kayser Hong Kong and Daimon Brewery.
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	4,748,389 (shares all held by Ace Cosmo Developments Limited)
Interests in rights:	300,000 performance rights

Name:	Ms. Laura McBain
Title:	Non-Executive Director
Experience and expertise:	Laura was formerly Managing Director of Longtable Group Limited from 2017 to 2019 and the CEO and Managing Director of Bellamy's Australia Ltd from 2014 to 2017, prior to which she was CEO/General Manager since 2007. During her years with Bellamy's, Laura oversaw significant change, innovation and business growth including expansion into South East Asia and China. She is currently a director of Export Finance Australia, a role held since 2014. Prior to joining Bellamy's, Laura practised as an accountant in both Sydney and Tasmania. Laura holds a Bachelor of Commerce, in 2013 completed the IMD Leadership Challenge and completed the IESE, Wharton and CEIBS Global executive program in 2017. In 2013, Laura was named the Telstra Tasmanian Business Woman of the Year and went on to be named the Telstra Australian Business Woman of the Year for 2013 (Private and Corporate).
Other current directorships:	None
Former directorships (last 3 years):	Maggie Beer Holdings Limited (ASX:MBH) (resigned 27 November 2019)
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	11,000 (shares all held by Vermilion 21 Pty Ltd (McNelhaus Super Fund A/C))

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

'Former directorships (last 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.

Chief Financial Officer
Mr. Alex Aleksic, CPA

Alex Aleksic holds a Bachelor of Business (Accountancy) & Master of Business Administration from RMIT. He is a member of CPA Australia. He is a senior business strategist and advisor with more than 20 years experience in commercial, operational and financial roles within multinationals, ASX Top 50 organisations, Private Equity and High Networth ownership structures. He was Chief Financial Officer at Accent Group Ltd and Shaver Shop Ltd. Alex has held numerous senior multi-discipline roles within Goodyear Dunlop (Beaurepaires), Telstra, Coles and Kodak Australasia.

Company secretary
Ms Melanie Leydin – BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Directors' Meetings		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr David Dearie	13	13	2	2
Mr Geoff Bainbridge	13	13	2	2
Mr Warren Randall	10	13	-	-
Mr Laurent Ly	12	13	1	1
Ms. Laura McBain	-	-	-	-

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

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.

Remuneration Policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, with the potential for options and other incentives. Options to be issued at the discretion of the Board.
- The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance and executive performance.

The performance of key management personnel is reviewed annually and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and option incentives are issued at the discretion of the Board. Any incentives or bonuses must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of other key management personnel executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed, shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black- Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was as outlined in the Company's Initial Public Offering prospectus of $300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external parties as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Key Management Personnel Remuneration Policy

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain key management of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Details of remuneration

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

The key management personnel of the Group consisted of the following directors of Lark Distilling Co. Ltd:
- Mr David Dearie (Chairman) (appointed Executive Chairman for period 4 October 2019 to 1 May 2020, Non-executive Chairman from that day forward)
- Mr Geoff Bainbridge (Managing Director)
- Mr Warren Randall (Non-Executive Director)
- Mr Laurent Ly (Non-Executive Director) (appointed 2 September 2019)
- Ms. Laura McBain (Non-Executive Director) (appointed 25 May 2020)

And the following persons:
- Mr Alex Aleksic (Chief Financial Officer) (appointed 3 July 2020)
- Mr Brendan Waights (Chief Financial Officer) (resigned 31 August 2019)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr Warren Randall (g)	50,000	-	-	-	-	47,670	97,670
Mr Laurent Ly (a)	41,667	-	-	-	-	47,670	89,337
Ms. Laura McBain (b)	4,167	-	-	-	-	-	4,167
Executive Directors							
Mr David Dearie (d)	122,917	-	-	-	-	187,501	310,418
Mr Geoff Bainbridge (c)	324,247	-	-	-	-	168,433	492,680
Other KMP							
Mr Alex Aleksic (e)	-	-	-	-	-	-	-
Mr Brendan Waights (f)	121,953	-	-	10,490	-	-	132,443
	664,951	-	-	10,490	-	451,274	1,126,715

(a) Mr Laurent Ly was appointed 2 September 2019. Fees for the period were paid through director services company Spica Capital on behalf of Laurent Ly.
(b) Ms Laura McBain was appointed 25 May 2020
(c) Mr Geoff Bainbridge was appointed into the executive role of Managing Director effective 4 October 2019
(d) Mr David Dearie was appointed into the executive role of Executive Chairman effective 4 October 2019 to 1 May 2020, Non-executive Chairman from that day forward.
(e) Mr Alex Aleksic was appointed 3 July 2020
(f) Mr Brendan Waights resigned 31 August 2019. The cash salary figure above includes $71,250 paid in relation to Mr Waights resignation.
(g) The Group made purchases amounting to $73,084 (June 2019: NIL) from an entity associated with Mr Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its’ production process of Lark. These transactions are considered to be arms-length transactions.

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	Other benefits	
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	$	Total $
Mr Terry Cuthbertson (c)	66,734	-	-	-	-	-	-	66,734
Mr Peter Herd (c)	40,040	-	-	-	-	-	-	40,040
Mr Gary Mares (c)	40,040	-	-	-	-	-	-	40,040
Mr Rohan Boman (b)	18,375	-	-	-	-	-	-	18,375
Mr Christopher Malcolm (e)(h)	107,813	-	-	-	-	-	166,667	274,480
Mr Brendan Waights (f)	197,489	-	-	18,761	-	-	-	216,250
Mr Gary Stewart	56,600	-	-	-	-	-	-	56,600
Mr David Dearie(a)	9,369	-	-	-	-	-	-	9,369
Mr Geoff Bainbridge (d)	8,817	-	-	-	-	-	-	8,817
Mr Warren Randall (d)	5,511	-	-	-	-	-	-	5,511
Mr Stuart Grant (g)	13,790	-	-	-	-	-	-	13,790
Mr Bill Lark (g)	80,044	-	-	7,499	-	-	-	87,543
	644,622	-	-	26,260	-	-	166,667	837,549

(a) Appointed as a Director on 20 May 2019.
(b) Ceased being a Director on 27 November 2018.
(c) Ceased being a Director on 20 May 2019.
(d) Appointed as a Director on 21 May 2019.
(e) Mr Malcolm's contract as Chief Executive Officer was terminated on 11 February 2019. The other benefit disclosed is a 12 month termination payment.
(f) Appointed as Chief Financial Officer on 15 October 2018.
(g) Appointed as a Director on 1 February 2019, ceased as a Director on 21 May 2019.
(h) The Group made purchases total $286,186 from entities associated with Mr Chris Malcolm during his tenure as Chief Executive Officer. These include sale of finished goods for $1,666, payments for the cooperage of wood (casks) for $280,845 and the purchase of barrels from related entities for $70,798. These transactions are considered to be arms-length transactions.

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:	Mr David Dearie
Title:	Executive Chairman
Agreement commenced:	Effective 4 October 2019 to 1 May 2020
Details:	Remuneration: $150,000 per annum Time commitment: approximately 10 days per month Executive role responsibilities: development of strategy; investor relations; support executive director In addition to the above, Mr Dearie was issued 35,400,000 (pre 30-for-1 consolidation) Performance Rights (Rights) with the following terms and conditions, and with an expiry of 31 December 2026:

Tranche no.	Target market share price*	and continuous service to:	Performance rights to vest*
Tranche 1	$0.045	31 December 2020	1,500,000
Tranche 2	$0.055	31 December 2021	1,800,000
Tranche 3	$0.065	31 December 2022	2,100,000
Tranche 4	$0.075	31 December 2022	12,000,000
Tranche 5	$0.085	31 December 2023	18,000,000

* Share price and number of performance rights are prior to 30-for-1 consolidation completed in April 2020

Name:	Mr Geoff Bainbridge
Title:	Managing Director
Agreement commenced:	4 October 2019
Term of agreement:	No fixed term
Details:	Remuneration: $300,000 per annum Time commitment: 3 days per week Executive role responsibilities: direct management and oversight of operations; investor relations In addition to the above, Mr Bainbridge was issued 31,800,000 Performance Rights (Rights) with the following terms and conditions and with an expiry date of 31 December 2026:

Tranche no.	Target market share price*	and continuous service to:	Performance rights to vest*
Tranche 1	$0.045	31 December 2020	3,000,000
Tranche 2	$0.055	31 December 2021	1,500,000
Tranche 3	$0.065	31 December 2022	1,800,000
Tranche 4	$0.075	31 December 2022	10,500,000
Tranche 5	$0.085	31 December 2023	15,000,000

* Share price and number of performance rights are prior to 30-for-1 consolidation completed in April 2020

Name:	Mr Warren Randall
Title:	Non-Executive Director
Agreement commenced:	21 May 2019
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee (excluding GST)

Name:	Mr Laurent Ly
Title:	Non-Executive Director
Agreement commenced:	2 September 2019
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee (excluding GST)

Name:	Ms Laura McBain
Title:	Non-Executive Director
Agreement commenced:	1 June 2020
Term of agreement:	No fixed term
Details:	Remuneration: $50,000 annual directors fee (excluding GST)

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

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Performance rights

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Grant date	Vesting date	Number granted*	Value granted $	Value vested $	Number lapsed / disposed $	Value lapsed $
David Dearie	25/11/2019	31/12/2026	1,180,000	949,917	-	-	-
Geoff Bainbridge	25/11/2019	31/12/2026	1,060,000	853,316	-	-	-
Warren Randall	25/11/2019	31/12/2026	300,000	241,504	-	-	-
Laurent Ly	25/11/2019	31/12/2026	300,000	241,504	-	-	-

* Number granted is post 30-for-1 share, options and rights consolidation completed during the year.

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:

Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting*	Fair value per right at grant date
25 November 2019	31 December 2020	31 December 2026	$1.350	$0.03401
25 November 2019	31 December 2021	31 December 2026	$1.650	$0.03141
25 November 2019	31 December 2022	31 December 2026	$1.950	$0.02839
25 November 2019	31 December 2023	31 December 2026	$2.250	$0.02729
25 November 2019	31 December 2024	31 December 2026	$2.550	$0.02536

* Share price for vesting noted is inclusive on the increase as a result of the 30-for-1 consolidation completed in April 2020.

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the four years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $
Sales revenue	7,426,459	5,523,207	428,476	96,570
Profit / (loss) after income tax	(1,272,296)	(4,327,069)	(3,388,235)	(2,637,474)

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	Received as part of remuneration	Additions*	Effect of share consolidation**	Balance at the end of the year
Ordinary shares					
Mr David Dearie	-	-	-	-	-
Mr Geoff Bainbridge	11,656,667	-	2,680,478	(11,268,112)	3,069,033
Mr Warren Randall	71,678,850	-	-	(69,289,555)	2,389,295
Mr Laurent Ly*	-	-	142,451,219	(137,702,846)	4,748,373
Ms. Laura McBain*	-	-	11,000	-	11,000
Mr. Brendan Waights	-	-	-	-	-
Mr. Alex Aleksic	-	-	-	-	-
	83,335,517	-	145,142,697	(218,260,513)	10,217,701

* Additions for Laurent Ly and Laura McBain represent shares held upon appointment as directors.
** Represents change in holding of shares as a result of 30-for-1 consolidation completed during April 2020.

Performance rights holding
The number of performance rights over ordinary 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	Granted	Vested	Effect of share consolidation**	Balance at the end of the year
Performance rights over ordinary shares					
Mr David Dearie	-	35,400,000	-	(34,220,000)	1,180,000
Mr Geoff Bainbridge	-	31,800,000	-	(30,740,000)	1,060,000
Mr Warren Randall	-	9,000,000	-	(8,700,000)	300,000
Mr Laurent Ly	-	9,000,000	-	(8,700,000)	300,000
Ms. Laura McBain	-	-	-	-	-
Mr. Brendan Waights	-	-	-	-	-
Mr. Alex Aleksic	-	-	-	-	-
	-	85,200,000	-	(82,360,000)	2,840,000

** Represents change in holding of performance rights as a result of 30-for-1 consolidation completed during April 2020.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Lark Distilling Co. Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option*
22 May 2018	30 May 2021	$0.900	138,046
22 May 2018	30 May 2021	$1.125	138,046
22 May 2018	30 May 2021	$1.350	138,046
22 October 2018	1 November 2020	$0.963	103,842
28 November 2017	31 July 2021	$2.250	102,776
			620,756

* Number of options noted are inclusive of the effect of the 30-for-1 consolidation completed in April 2020.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Grant date	Expiry date	Number*
16/03/2020	31/12/2026	680,000
17/12/2019	31/12/2026	2,840,000
		3,520,000

* Number of performance rights are inclusive of the effect of the 30-for-1 consolidation completed in April 2020

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

Shares issued on the exercise of options
No options were exercised during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights
No performance rights were exercised during the year ended 30 June 2020 and up to the date of this report.

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

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

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

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

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 33 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 33 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 Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

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

Deloitte Touche Tohmatsu 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

David Dearie
Chairman

25 September 2020

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Lark Distilling Co. Ltd
Level 1
30 Argyle Street
Hobart TAS 7000

25 September 2020

Dear Board Members

Lark Distilling Co. Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Lark Distilling Co. Ltd.

As lead audit partner for the audit of the financial statements of Lark Distilling Co. Ltd for the financial year ended 30 June 2020, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carl Harris
Partner
Chartered Accountant

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

	Note	Consolidated 2020 $	2019 $
Revenue			
Sales revenue	5	7,426,459	5,523,207
Cost of sales	9	(3,384,365)	(2,639,740)
Gross profit		4,042,094	2,883,467
Other income	6	748,803	30,681
Expenses			
Selling and distribution expenses	9	(824,856)	(371,091)
Administration expenses	7	(2,401,675)	(3,129,769)
Employee benefits expense	8	(2,541,438)	(2,070,493)
Depreciation and amortisation expense	10	(127,068)	(57,428)
Impairment expenses	9	-	(1,367,269)
Loss before interest and tax expense		(1,104,140)	(4,081,902)
Finance income	11	19,117	116,908
Finance costs	12	(187,273)	(362,075)
Loss before income tax expense		(1,272,296)	(4,327,069)
Income tax expense	13	-	-
Loss after income tax expense for the year attributable to the owners of Lark Distilling Co. Ltd	9	(1,272,296)	(4,327,069)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		447	-
Other comprehensive income for the year, net of tax		447	-
Total comprehensive income / (loss) for the year attributable to the owners of Lark Distilling Co. Ltd		(1,271,849)	(4,327,069)
		Cents	**Cents**
Basic earnings per share	40	(2.34)	(7.96)
Diluted earnings per share	40	(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

Lark Distilling Co.

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	14	6,119,362	6,731,306
Trade and other receivables	15	1,532,937	525,868
Inventories	16	4,950,050	6,306,572
Prepaid assets		21,244	39,368
Total current assets		12,623,593	13,603,114
Non-current assets			
Trade and other receivables	17	-	185,705
Inventories	18	14,329,411	8,469,516
Financial assets	19	-	300,000
Property, plant and equipment	20	7,907,617	6,802,476
Right-of-use assets	21	206,930	-
Intangibles	22	11,229,315	11,031,472
Total non-current assets		33,673,273	26,789,169
Total assets		46,296,866	40,392,283
Liabilities			
Current liabilities			
Trade and other payables	23	3,054,055	1,277,015
Financial liabilities	24	423,612	474,024
Employee benefits	25	150,263	161,337
Total current liabilities		3,627,930	1,912,376
Non-current liabilities			
Trade and other payables		17,247	5,017
Borrowings	26	5,000,000	-
Financial liabilities	27	176,060	377,236
Employee benefits		98,531	58,347
Total non-current liabilities		5,291,838	440,600
Total liabilities		8,919,768	2,352,976
Net assets		37,377,098	38,039,307
Equity			
Issued capital	28	49,475,985	49,361,969
Reserves	29	543,712	47,641
Accumulated losses	30	(12,642,599)	(11,370,303)
Total equity		37,377,098	38,039,307

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 $**	**Accumulated losses $**	**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)
Transactions with owners in their capacity as owners:					
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 $**	**Accumulated losses $**	**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)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 28)	114,016	-	-	114,016
Share-based payments (note 41)	-	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

Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
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
Net cash used in operating activities	39	(3,527,992)	(4,540,391)
Cash flows from investing activities			
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	-
Net cash used in investing activities		(1,569,640)	(708,477)
Cash flows from financing activities			
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)
Net cash from financing activities		4,485,688	5,119,355
Net decrease in cash and cash equivalents		(611,944)	(129,513)
Cash and cash equivalents at the beginning of the financial year		6,731,306	6,860,819
Cash and cash equivalents at the end of the financial year	14	6,119,362	6,731,306

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

Note 1. General information

The financial statements cover Lark Distilling Co. Ltd (previously Australian Whisky Holdings Limited) as a Group consisting of Lark Distilling Co. Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Lark Distilling Co. Ltd is a listed public company limited by shares (ASX code: LRK), incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 1 30 Argyle Street Hobart TAS 7000	Level 1 30 Argyle Street Hobart TAS 7000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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').

The financial statements cover Lark Distilling Co. Limited (“Company”) and its controlled entities as a consolidated entity (“Group”). Lark Distilling Co. Limited is a company limited by shares, incorporated and domiciled in Australia. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Australian Whisky Holdings Limited and its controlled entities comply with International Financial Reporting Standards (IFRS). Australian Whisky Holdings Limited is a for profit entity for the purpose of preparing the financial statements.

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, certain classes of property, plant and equipment 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 3.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Lark Distilling Co.

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases
The Group has adopted and complied with AASB 16 from 1 July 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

On adoption of AASB 16 from 1 July 2019, the Group is not required to make any financial statement adjustment on application of this standard. The Group did not have any off-balance sheet leases in the prior period to bring on-balance sheet.

The Group has leases that relate to raw materials inventory and production equipment which have been recognised according to the nature of the assets at the time of lease commencement with the corresponding lease obligation recognised.

On recognition of the lease liabilities in the relative prior periods, the asset has been identified and disclosed in relation to its' nature and characteristic.

Part of the current financial liabilities balance at year end relate to the leasing of production equipment; these assets have been recognised as Plant & Equipment and depreciated accordingly, pursuant to AASB 116. All other leases as at period end relate to the leasing of wooden casks and have been recognised on lease recognition in accordance with AASB 102. These costs are held in raw materials inventory (where the cask is not yet filled with spirit), or whisky in casks inventory (utilising the raw materials inventory per the qualifying assets absorption costing of inventories), or, expensed through COGS where that cask filled with spirit has been decanted and sold. All inventories are carried at cost and not depreciated.

The Group has entered into building and property lease transactions during the year end period ended 30 June 2020, material leases are as detailed in right-of-use note 21.

Going concern
This 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).

On 18 September 2020, Lark Distilling Co. successfully raised A$8.85 million via an institutional placement of shares. 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. Significant accounting policies (continued)

Financial Instruments
Financial Assets
Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Non-current investments are measured on the cost basis to the extent they represent investments in wholly owned subsidiaries which are consolidated in accordance with note 2. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime expected credit losses ("ECL") when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Note 2. Significant accounting policies (continued)

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities that are not
(i) contingent consideration of an acquirer in a business combination,
(ii) held-for-trading, or
(iii) designated as at fair value through profit or loss (“FVTPL”), are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in profit or loss.

Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Principles of consolidation
A controlled entity is any entity that the Company has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 37 to the consolidated financial statements. All controlled entities have a June financial year-end, except for Aowei Liquor Industries Beijing Limited (former name Beijing Montec Commercial Limited), which has a December year end; and Australian Whisky Holdings (HK) Limited (former name Montec International (HK) Limited), which has a March year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed to ensure consistencies with those policies applied by the parent entity.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Lark Distilling Co. Ltd's functional and presentation currency.

Note 2. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the translation of monetary items are recognised in the statement of Profit or Loss and other Comprehensive Income.

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 the statement of Profit or Loss and other Comprehensive Income. Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period, where this approximates the rate at date of transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of Financial Position. These differences are recognised in the statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including:

- the forecasting of future cash flows (driven by litres available for sale and price achieved per litre)
- the discount rates applicable to the future cash flows and
- expected growth rates

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into three operating segments: whisky, gin, and other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operations of the Group in management of equity investments is consistent with the Groups' strategy to continue its investment and growth in both whisky ("Lark" as the hero brand) and gin ("Forty Spotted Gin"). Whisky and gin are assessed as separate segments by the CODM due to the differences in production processes, inventory life cycle, market categories, working capital requirements and financial contribution to the Group. The "other" segment is representative of function's that attribute to Group results but are not directly attributable to whisky or gin segments, and include hand sanitiser sales. Operating segments are therefore split into the three segments; Lark, Gin and other.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2020, approximately 19% of the Group's external revenue was derived from sales to Proof & Company ("Distributor" of Lark whisky, Overeem whisky and Forty Spotted gin).

Operating segment information

Consolidated - 2020	Whisky $	Gin $	Other $	Total $
Revenue				
Sales to external customers	4,889,830	1,360,944	1,175,685	7,426,459
Other income	748,803	-	-	748,803
Total revenue	5,638,633	1,360,944	1,175,685	8,175,262
EBITDA	(29,364)	(685,711)	(261,996)	(977,071)
Depreciation and amortisation	(82,594)	(25,414)	(19,060)	(127,068)
Finance costs and income	(165,259)	(1,656)	(1,242)	(168,157)
Loss before income tax expense	(277,217)	(712,781)	(282,298)	(1,272,296)
Income tax expense				-
Loss after income tax expense				(1,272,296)

Note 4. Operating segments (continued)

Consolidated - 2019	Whisky $	Gin $	Other $	Total $
Revenue				
Sales to external customers	3,219,020	1,439,086	865,101	5,523,207
Other income	30,681	-	-	30,681
Total revenue	3,249,702	1,439,086	865,101	5,553,888
EBITDA	(3,303,788)	(489,998)	(230,687)	(4,024,473)
Depreciation and amortisation	(37,397)	(11,507)	(8,525)	(57,428)
Finance costs and income	(245,167)	-	-	(245,167)
Loss before income tax expense	(3,586,352)	(501,505)	(239,212)	(4,327,069)
Income tax expense				-
Loss after income tax expense				(4,327,069)

Note 5. Revenue

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

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 5. 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 gross of any applicable excise duties, discounts or rebates, and 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 6. Other income

	Consolidated	
	2020 $	2019 $
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	-
	748,803	30,681

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.

Note 7. Administration expenses

	Consolidated 2020 $	Consolidated 2019 $
Director fees	542,997	223,425
Consulting fees	499,728	696,283
General and administration	863,993	1,485,269
Insurance	112,967	132,792
IT and communications	48,476	36,357
Transport, travel and entertainment	98,840	318,160
Occupancy	234,674	237,483
Total administration expenses	2,401,675	3,129,769

Note 8. Employee benefit expense

	Consolidated 2020 $	Consolidated 2019 $
Salaries and wages	1,784,508	1,718,168
Superannuation	158,345	159,912
Employee provision movement	51,965	78,448
Share based payments expense	495,624	-
Other employee expenses	50,996	113,965
	2,541,438	2,070,493

Note 9. Loss before income tax expense

	Consolidated 2020	Consolidated 2019
Loss before income tax determined after		
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)
	(5,921,766)	(5,522,418)

*Impairment of group assets relates to:

	Consolidated 2020	Consolidated 2019
Goodwill (note 22)	-	(837,586)
Land and Buildings (note 20)	-	(529,683)
	-	(1,367,269)

Note 10. Depreciation and amortisation

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

Note 11. Finance income

	Consolidated 2020	2019
Interest income	19,117	116,908

Note 12. Finance costs

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

Note 13. Income tax expense

	Consolidated 2020 $	2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
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	-	-

Note 13. Income tax expense (continued)

	Consolidated	
	2020 $	2019 $
Tax losses not recognised		
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 14. Current assets - cash and cash equivalents

	Consolidated	
	2020 $	2019 $
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.

Note 15. Current assets - trade and other receivables

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

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 16. Current assets - inventories

	Consolidated 2020 $	2019 $
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 – at cost	2,332,695	3,956,520
	4,950,050	6,306,572

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. Work in progress inventory reflects whisky, gin and hand-sanitiser currently in production but not yet bottled or barrelled.

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

Note 17. Non-current assets - trade and other receivables

	Consolidated 2020 $	2019 $
Deposit paid	-	184,621
Other receivables	-	1,084
	-	185,705

Note 18. Non-current assets - inventories

	Consolidated 2020 $	2019 $
Inventory in casks – at cost	14,329,411	8,469,516

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 19. Non-current assets - financial assets

	Consolidated 2020 $	2019 $
Investment in Old Kempton - at fair value	-	300,000

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

Note 20. Non-current assets - 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	Building Improvements	Plant, Equipment & Production Assets	Motor Vehicles	Capital WIP	Total
Cost at 1 July 2018	6,814,403	2,528,591	4,205,502	96,866	-	**13,645,362**
Accumulated Depreciation to 1 July 2018	-	-	(697,199)	(14,528)	-	**(711,727)**
Carrying Value at 1 July 2018	**6,814,403**	**2,528,591**	**3,508,303**	**82,338**		**12,933,635**
Cost 1 July 2018	**6,814,403**	**2,528,591**	**4,205,502**	**96,866**	**-**	**13,645,362**
Transfers between PPE classes	924,101	(2,425,937)	1,501,836	-	-	**-**
Additions	647,669	-	-	-	-	647,669
Provisional accounting adjustments - Land and buildings (i)	(1,321,529)	-	-	-	-	(1,321,529)
Provisional accounting adjustments - Inventory (ii)	(600,477)	-	(957,979)	-	-	(1,558,456)
Provisional accounting adjustments - Intangibles (ii)	-	-	(6,000)	-	-	(6,000)
Provisional accounting adjustments - cost of sales (ii)	(30,321)	-	(399)	-	-	(30,720)
Provisional accounting adjustments - Goodwill (ii)	(1,869,202)	-	(1,468,385)	-	-	(3,337,587)
Disposals						**-**
Cost at 30 June 2019	**4,564,644**	**102,654**	**3,274,575**	**96,866**	**-**	**8,038,739**
Accumulated depreciation at 30 June 2018	-	-	(697,199)	(14,528)	-	(711,727)
Provisional accounting adjustments - Inventory (ii)	-	-	191,247	-	-	191,247
Depreciation expense	-	(2,615)	(183,485)	-	-	(186,100)
Impairment expense	(529,683)	-	-	-	-	(529,683)
Disposals	-	-	-	-	-	**-**
Accumulated Depreciation and Impairment to 30 June 2019	**(529,683)**	**(2,615)**	**(689,437)**	**(14,528)**	**-**	**(1,236,263)**

(i) Represents fair value adjustment made during the final purchase price allocation exercised performed on acquisition of Lark Distillery Pty Ltd.

(ii) Represents adjustments made during the final purchase price allocation exercised performed on acquisition of the Nant Entities

	Land and Buildings	Building Improvements	Plant, Equipment & Production Assets	Motor Vehicles	Capital WIP	Total
Carrying Value at 30 June 2019	**4,034,961**	**100,039**	**2,585,138**	**82,338**	**-**	**6,802,476**
Cost 30 June 2019	**4,564,644**	**102,654**	**3,274,575**	**96,866**	**-**	**8,038,739**
						-
Additions	-	64,231	560,716	-	845,250	1,470,197
Disposals	-	-	(26,644)	-	-	(26,644)
Transfer to intangibles	-	-	(118,909)	-	-	(118,909)
Cost 30 June 2020	**4,564,644**	**166,885**	**3,808,647**	**96,866**	**845,250**	**9,363,383**
Accumulated Depreciation and Impairment at 30 June 2019	**(529,683)**	**(2,615)**	**(689,437)**	**(14,528)**	**-**	**(1,236,263)**
Depreciation expense (through profit or loss)	-	(8,806)	(28,088)	(11,203)	**-**	(48,097)
Depreciation expense (capitalised to inventory)	-	-	(171,406)	-	-	(171,406)
Impairment expense	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated Depreciation and Impairment to 30 June 2020	**(529,683)**	**(11,421)**	**(888,931)**	**(25,731)**	**-**	**(1,455,766)**
Carrying Value at 30 June 2020	**4,034,961**	**155,464**	**2,919,716**	**71,135**	**845,250**	**7,907,617**

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 20. Non-current assets - property, plant and equipment (continued)

Freehold land is not depreciated.

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

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

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

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

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

Note 21. Non-current assets - right-of-use assets

	Consolidated	
	2020 **$**	**2019** **$**
Land and buildings - right-of-use	238,766	-
Less: Accumulated depreciation	(31,836)	-
	206,930	-

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

Consolidated	Land and building right-of-use $	Total $
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Additions	238,766	238,766
Depreciation expense	(31,836)	(31,836)
Balance at 30 June 2020	206,930	206,930

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.

Note 21. Non-current assets - right-of-use assets (continued)

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 22. Non-current assets - intangibles

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

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

Consolidated	Goodwill $	Other intangibles $	Total $
Balance at 1 July 2018	7,150,379	22,367	7,172,746
Additions	4,267	61,075	65,342
Fair value adjustment made during the final purchase price allocation exercised performed on acquisition of Lark Distillery Pty Ltd.	1,321,529	-	1,321,529
Transfer from property, plant and equipment	3,337,587	6,000	3,343,587
Impairment	(837,586)	-	(837,586)
Transfers in/(out)	(41,337)	41,337	-
Amortisation expense	-	(34,146)	(34,146)
Balance at 30 June 2019	10,934,839	96,633	11,031,472
Additions	-	126,069	126,069
Capitalisation of costs	-	118,909	118,909
Amortisation expense	-	(47,135)	(47,135)
Balance at 30 June 2020	10,934,839	294,476	11,229,315

Note 22. Non-current assets - intangibles (continued)

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.

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

Note 22. Non-current assets - intangibles (continued)

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 23. Current liabilities - trade and other payables

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

Refer to note 31 for further information on financial instruments.

Note 24. Current liabilities - Financial liabilities

	Consolidated	
	2020 $	2019 $
Barrel Finance and Logistics	329,570	366,634
Motor vehicles lease	47,016	18,336
Eclipx	-	89,054
Lease liability	47,026	-
	423,612	474,024

Accounting policy for financial liabilities

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

Note 25. Current liabilities - employee benefits

	Consolidated	
	2020	2019
	$	$
Employee benefits	150,263	161,337

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 26. Non-current liabilities - Borrowings

	Consolidated	
	2020	2019
	$	$
Loan - Quality Life Pty Ltd	5,000,000	-

Refer to note 31 for further information on financial instruments.

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:

	Consolidated	
	2020	2019
	$	$
Loan - Quality Life Pty Ltd	5,000,000	-

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

Note 27. Non-current liabilities - financial liabilities

	Consolidated 2020 $	Consolidated 2019 $
Barrel Finance and Logistics	-	329,573
Motor vehicles	-	47,663
Lease liability	176,060	-
	176,060	377,236

Note 28. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	54,453,167	1,630,579,441	49,475,985	49,361,969

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
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		-	-	(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)	-	-
Balance	30 June 2020	54,453,167		49,475,985

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 29. Equity - reserves

	Consolidated	
	2020	**2019**
	$	**$**
Foreign currency reserve	48,088	47,641
Share-based payments reserve	495,624	-
	543,712	47,641

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.

Note 30. Equity - accumulated losses

	Consolidated	
	2020	**2019**
	$	**$**
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	(12,642,599)	(11,370,303)

Note 31. Financial instruments

a. Financial Risk Management Policy

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and loans from third parties.

The Board and Management monitor risks on a regular basis as part of formal board meeting and ongoing analysis and review by management

i. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are liquidity risks, foreign currency risk and credit risk.

Liquidity risks

The Group's approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The management managed the foreign currency transactions on a monthly basis to avoid the fluctuation on the exchange rate, while the Group does not have any material foreign currency risk exposure. Where exposures do arise, forward foreign exchange contracts will be applied.

Note 31. Financial instruments (continued)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any expected loss provisions of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2020.

b. Financial Instruments

i. Derivative Financial Instruments
The Group has not participated in the use of any derivative financial instruments during the year.

ii. Financial instrument composition and maturity analysis
The tables below reflect the weighted average effective interest rate on classes of financial assets and financial liabilities:

	Effective Interest Rate 2020 %	Effective Interest Rate 2019 %	Floating Interest Rate 2020 $	Floating Interest Rate 2019 $	Non-interest Bearing 2020 $	Non-interest Bearing 2019 $	Total 2020 $	Total 2019 $
Cash	-	1.71%	-	6,731,306	6,119,362	-	6,119,362	6,731,306
Trade and other receivables	-	-	-	-	1,532,937	711,573	1,713,301	711,573

Financial Liabilities	Fixed Interest Rate 2020 %	Fixed Interest Rate 2019 %	Total 2020	Total 2019
Loan – Quality Life	4.00%	-	5,000,000	-
Loan – Eclipx Commercial	-	8.50%	-	89,054

Finance Lease	Implicit interest Rate 2020 %	Implicit interest Rate 2019 %	Total 2020 $	Total 2019 $
Lease – BOQ	10.30%	10.30%	46,633	51,503
Logistics	12.30%	12.30%	271,560	696,207
Lease – Motor vehicle ute	-	6.38%	-	4,496
Lease – Motor vehicle bus	-	5.89%	-	-

Trade and sundry payables are expected to be paid as follows:

	30 June 2020 $	30 June 2019 $
Less than 6 months	3,054,055	1,277,015
Over 6 months	17,247	5,017
	3,071,302	1,282,032

Interest Rate Risk and Foreign Currency Risk

The Group has not performed a sensitively analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as this risk is not material given the Quality Life loan is in Australian dollars and is at predominately fixed interest rate.

Note 31. Financial instruments (continued)

Remaining contractual maturities
The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The Group does not expect these payments to eventuate.

Note 32. Key management personnel disclosures

Directors
The following persons were directors of Lark Distilling Co. Ltd during the financial year:

Mr David Dearie	Executive Chairman
Mr Geoff Bainbridge	Managing Director
Mr Warren Randall	Non-Executive Director
Mr Laurent Ly	Non-Executive Director (appointed 2 September 2019)
Ms Laura McBain	Non-Executive Director (appointed 25 May 2020)

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

	Consolidated	
	2020 $	2019 $
Short-term employee benefits	664,951	811,289
Long-term benefits	10,490	26,260
Share-based payments	451,274	-
	1,126,715	837,549

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company (the prior year auditor was MNSA Pty Ltd):

	Consolidated	
	2020 $	2019 $
Audit services - Deloitte Touche Tohmatsu (2019: Mark Schiliro and Associates (MNSA) Pty Ltd)		
Audit or review of the financial statements	108,000	215,667
Other services - Deloitte Touche Tohmatsu (2019: Mark Schiliro and Associates (MNSA) Pty Ltd)		
Nil	-	3,468
	108,000	219,135
Other services - network firms		
Sub-lease of premises*	-	43,771

* Rent paid to Mark Schiliro and Associates (MNSA) Pty Ltd (being a related company to MNSA Pty Ltd) on a sub-lease of premises on the same terms as the primary lease between MNSA and an independent third party

Note 34. Commitments

The Group is exploring possible distillery expansion including further barrel storage options, but no decisions have been made in relation to these capital costs as at the date of this report. Upon adoption AASB 16 from 1 July 2019, the majority of operating leases are now recognised on the balance sheet.
There are no other commitments for the Group for the period ended 30 June 2020.

Note 35. Related party transactions

During the period ended 30 June 2020, the Group made purchases amounting to $73,084 (June 2019: NIL) from an entity associated with Warren Randall (Non-Executive Director). These transactions were for the purchase of wooden barrels from Seppeltsfield Wines Pty Ltd (ABN: 97 127 078 282) for the Group to use in its' production process of Lark.

During the prior period ending 30 June 2019, the Group made purchases totalling $286,186 from entities associated with Mr Chris Malcolm during his tenure as Chief Executive Officer. These include sale of finished goods for $1,666, payments for the cooperage of wood (casks) for $280,845 and the purchase of barrels from related entities for $70,798.

These transactions were considered to be arms-length transactions.

Subsidiaries
Interests in subsidiaries are set out in note 37.

Key management personnel
Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Note 36. Parent entity information

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

Statement of financial position

	Parent	
	2020	**2019**
	$	**$**
Total current assets	4,500,312	6,273,581
Total assets	44,154,887	42,315,786
Total current liabilities	197,013	393,715
Total liabilities	5,197,013	421,799
Equity		
Issued capital	49,475,985	49,361,970
Foreign currency reserve	16,397	16,397
Share-based payments reserve	471,208	-
Accumulated losses	(11,005,716)	(7,484,380)
Total equity	38,957,874	41,893,987

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Note 36. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
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 38. Events after the reporting period

On 3 July 2020 Lark Distilling Co. announced the appointment of Alex Aleksic as the Chief Financial Officer of the group.

On 18 September 2020, Lark Distilling Co. successfully raised A$8.85 million via an institutional placement of shares. Total shares issued as part of this placement were 8,052,334 at a price of $1.10 per share. The proceeds raised under the placement will be used to fund the inventory build of Lark's whisky under maturation. The new shares issued were settled on 22 September 2020.

No other matter or circumstance has arisen since 30 June 2020 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.

Note 39. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020 **$**	**2019** **$**
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	(3,527,992)	(4,540,391)

Note 40. Earnings per share

	Consolidated	
	2020 **$**	**2019** **$**
Loss after income tax attributable to the owners of Lark Distilling Co. Ltd	(1,272,296)	(4,327,069)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	54,381,840	54,360,163
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,381,840	54,360,163
	Cents	**Cents**
Basic loss per share	(2.34)	(7.96)
Diluted loss per share	(2.34)	(7.96)

Prior year earnings per share have been restated as part of the 30 for 1 consolidation completed in April 2020.

Note 41. Share-based payments

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Note 41. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2020

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired	Effect of share consolidation**	Balance at the end of the year
31/12/2017	30/11/2019	$1.830	14,983,337	-	-	(14,983,337)	-	-
31/12/2017	17/10/2019	$1.140	3,724,975	-	-	(3,724,975)	-	-
22/05/2018	30/05/2021	$0.900	4,141,380	-	-	-	(4,003,334)	138,046
22/05/2018	30/05/2021	$1.140	4,141,380	-	-	-	(4,003,334)	138,046
22/05/2018	30/05/2021	$1.350	4,141,380	-	-	-	(4,003,334)	138,046
22/10/2018	01/11/2020	$0.960	3,115,265	-	-	-	(3,011,423)	103,842
28/11/2017	31/07/2021	$2.250	4,250,000	-	-	-	(4,108,333)	141,667
			38,497,717	-	-	(18,708,312)	(19,129,758)	659,647

* Exercise price includes the effects of the 30 for 1 consolidation completed in April 2020.
** Movement as a result of the 30 for 1 consolidation completed in April 2020.

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 0.86 years (June 2019: 1.15 years).

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

2020

Grant date	Expiry date	Vesting hurdle	Balance at the start of the year	Granted	Exercised	Effect of share consolidation*	Balance at the end of the year
25/11/2019	31/12/2026	$1.350	-	4,500,000	-	(4,350,000)	150,000
25/11/2019	31/12/2026	$1.650	-	3,300,000	-	(3,190,000)	110,000
25/11/2019	31/12/2026	$1.950	-	3,900,000	-	(3,770,000)	130,000
25/11/2019	31/12/2026	$2.250	-	28,500,000	-	(27,550,000)	950,000
25/11/2019	31/12/2026	$2.550	-	45,000,000	-	(43,500,000)	1,500,000
16/03/2020	31/12/2026	$1.650	-	6,000,000	-	(5,800,000)	200,000
16/03/2020	31/12/2026	$1.950	-	5,400,000	-	(5,220,000)	180,000
16/03/2020	31/12/2026	$2.250	-	4,800,000	-	(4,640,000)	160,000
16/03/2020	31/12/2026	$2.550	-	4,200,000	-	(4,060,000)	140,000
			-	105,600,000	-	(102,080,000)	3,520,000

* Movement as a result of the 30 for 1 consolidation completed in April 2020.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 6.5 years (June 2019: NIL).

For the 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:

Grant date	Expiry date	Share price at grant date	Vesting hurdle	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2019	31/12/2026	$0.037	$0.045	70.00%	-	1.09%	$0.03580
25/11/2019	31/12/2026	$0.037	$0.055	70.00%	-	1.09%	$0.03490
25/11/2019	31/12/2026	$0.037	$0.065	70.00%	-	1.09%	$0.03340
25/11/2019	31/12/2026	$0.037	$0.075	70.00%	-	1.09%	$0.03210
25/11/2019	31/12/2026	$0.037	$0.085	70.00%	-	1.09%	$0.03170
16/03/2020	31/12/2026	$0.030	$0.055	65.00%	-	0.92%	$0.02610
16/03/2020	31/12/2026	$0.030	$0.065	65.00%	-	0.92%	$0.02540
16/03/2020	31/12/2026	$0.030	$0.075	65.00%	-	0.92%	$0.02420
16/03/2020	31/12/2026	$0.030	$0.085	65.00%	-	0.92%	$0.02330

The price and valuation numbers noted in the table above are all exclusive of the 30-for-1 consolidation completed in April 2020.

In the directors' opinion:

- 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;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- 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

David Dearie
Chairman

25 September 2020

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Independent Auditor's Report to the Members of Lark Distilling Co Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lark Distilling Co. Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement 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 other explanatory information, 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 2020 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 & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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 for 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill At 30 June 2020, Lark has reported goodwill of $10,934,839 as disclosed in note 22 of the financial report. The accounting policy and the significant estimates and judgements in relation to goodwill impairment testing are disclosed in notes 3. The goodwill relates to one Cash Generating Unit ("CGU") at the Segment level (Whisky) where goodwill is monitored by management. The Group is required to assess the carrying value of goodwill at least annually. This is performed through a Value-in-Use discounted cash flow analysis. The value in use calculation includes key assumptions and judgements used in the determination of the recoverable amounts including forecast future cash flows, the long term growth rate and discount rate assumptions.	Our procedures included, but were not limited to: • Evaluating the appropriateness of management's identification of the Whisky CGU to which the goodwill is allocated; • Assessing the reasonableness of cash flow projections and assessing growth rates; • Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal growth rate; • Evaluating the value in use estimates determined by the Group against its market capitalisation; and • Testing the mathematical accuracy of the impairment model. We have also assessed the appropriateness of the disclosures in to the financial statements.

Other Information

The directors 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 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions take to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2020.

In our opinion, the Remuneration Report of Lark Distilling Co. Limited, for the year ended 30 June 2020, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carl Harris
Partner
Chartered Accountants
Hobart, 25 September 2020

The shareholder information set out below was applicable as at 6 September 2020.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares held	Percentage of ordinary shares held
1 to 1,000	238	112,916	210
1,001 to 5,000	247	627,065	1,150
5,001 to 10,000	84	635,992	1,170
10,001 to 100,000	125	3,724,529	6,840
100,001 and over	57	49,352,376	90,630
	751	54,452,878	100,000
Holding less than a marketable parcel	103	17,696	3,250

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Quality Life Pty Ltd (The Neill Family A/C)	6,004,513	11.03
HSBC Custody Nominees	5,351,320	9.83
Ace Cosmo Developments Limited	4,065,040	7.47
Malcolm Property Pty Ltd (Malcolm Property A/C)	3,417,897	6.28
Bainbridge Family Pty Ltd (Bainbridge Family A/C)	2,680,478	4.92
Seppeltsfield Pty Ltd (Seppeltsfield Estate A/C)	2,389,295	4.39
C H Malcolm Super Pty Ltd (Malcolm Super Fund A/C)	1,987,147	3.65
Mr Timothy Tulloch Brock Lewis & Mrs Catherine Anne Lewis (Jg Lewis No2 Will A/C)	1,544,166	2.84
Mark Murton Pty Ltd (Mark Murton P/L S/F A/C)	1,281,666	2.35
Suetone Pty Ltd (The Ak Shadforth Family A/C)	1,230,625	2.26
Fairisle Holdings Pty Limited (The Tilanbi A/C)	1,171,250	2.15
Rhodium Capital Pty Ltd (Rhodium Investment A/C)	1,166,666	2.14
Kore Management Services Pty Ltd (Cuthbertson Pension Fund A/C)	965,000	1.77
Contec Properties Pty Limited	896,274	1.65
Rex Family Pension Plan Pty Ltd (Rex Family Pension Plan A/C)	841,666	1.55
HSBC Custody Nominees (Australia) Limited - A/C 2	820,649	1.51
Steele Investments Superannuation Fund Pty Ltd (Steele Super Fund A/C)	800,000	1.47
Kore Management Services Pty Ltd (Cuthbertson Super Fund A/C)	772,458	1.42
Jon Birch Australia Pty Ltd (The Birch Super Fund A/C)	765,342	1.41
Ace Cosmo Developements Limited	683,333	1.25
	38,834,785	71.34

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Quality Life Pty Ltd (The Neill Family A/C)	7,156,769	13.14
HSBC Custody Nominees	5,351,320	9.83
Ace Cosmo Developments Limited	4,065,040	7.47
Malcolm Property Pty Ltd (Malcolm Property A/C)	3,417,897	6.28

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Corporate Governance Statement

The Company's 2020 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://larkdistillery.com/investor-centre/

Annual General Meeting and Director Nomination

Lark Distilling Co. Ltd advises that its Annual General Meeting will be held on or about Thursday, 26 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Thursday, 8 October 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Thursday, 1 October 2020 at the Company's Registered Office. The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.