mighty craft

Annual Report

2021-22

Contents.

Who we are.

We're a powerful collection of brands, people and places – with one mighty love of Craft.

Craft to us is more about an ethos than a category.

It's a celebration of authenticity, creativity, enterprise and local connection.

Supporting the little guys, we're combining our strengths to create a thriving, independent craft community.

A mighty independent network of great brands, people and places.

Stronger together.
For the love of Craft.

Key metrics.


Kangaroo
Island
SPIRITS
WILD GIN
CONTEMPORARY
LOCAL NATIVE JUNIPER

Key metrics.

Revenue growth[1,2]

+207%

Fastest growing liquor company on the ASX.

Beer/Cider litres growth[2]

8m litres +370%

Growth driven by Better Beer and off-premises sales.

Gross margin vs PY[2]

+3.1pps

Improvement in gross margins through increasing scale.

Spirit bottles growth[2]

264k +174%

Emerging high growth, world class spirits portfolio.

EBITDA[2, 3, 4]

$(11.6)m

Impacted by ongoing COVID impacts and one-offs.

Whisky under maturation[2]

334k litres

Appreciating asset class with strong global demand.

Underlying EBITDA[2, 3, 4]

$(6.3)m

Improving quarterly trend reflecting increased scale.

Cash[2]

$3.7m

Undrawn debt facility of $5.7m at year end.

1. Based on FY22 reported revenue growth percentage versus FY21.
2. All profit and loss numbers represent financial performance of continuing operations only.
3. EBITDA is a non-IFRS measure that the company believes is an important indicator of performance.
4. Underlying EBITDA excludes one-off impacts including acquisition and integration costs associated with the AHG acquisition, redundancies, share-based payments, one-off impact of loan modification and one-off legal fees.

mighty craft

Our ambition and strategy.

We are aiming to become Australia's leading craft drinks business.

Combining our strengths, so our craft community thrives. Stronger together.

Strategic priorities.

- Realise intrinsic brand value over time.
- Accelerate globally relevant spirits portfolio.
- Drive group efficiencies, synergies, and sustainable profit.
- Retain industry leading team.
- Simplify and focus the business model.
- Long term shareholder value creation.

FY25 ambition.

Beer / Cider / RTD

24m

litres per annum

Spirits

1m

bottles per annum

Whisky

1.5m

litres under maturation

Focus brands.

Chairman and CEO report.

Dear Shareholders,

I am pleased to present you with the annual report for the 2022 financial year. As we have announced to the market, I will be stepping down as Chair of MCL at the AGM this year and as such this will be the last annual report I deliver to shareholders. After four years in the role, I feel it is time for me to step back having guided the business through its start-up phase, through listing on the ASX to now being the fastest growing liquor company on the ASX.

The team has achieved an incredible amount in what has been challenging times, driven not least by the global pandemic which has had a significant impact on the business. As we come out the other side, I would like to recognise some important achievements over the last three years. The timeline below reflects just some of the key milestones that the business has delivered and of which I am very proud.

Mighty Craft timeline.

2019

- Listed on the ASX as Founders First Limited (ASX:FFL)
- **Acquired stakes in:**
  - Foghorn Brewery
  - Ballistic Beer Co.
  - Slipstream Brewing Co.
  - Sauce Brewing Co.
  - Brogan's Way
  - Jetty Road

2020

- Aquired Kangaroo Island Distillery
- **Increased investment and ownership in Jetty Road and Slipstream**
- Launched two Mighty Venues (Mighty Moonee Ponds and Mighty Hunter Valley)
- **Launched Seven Seasons in partnership with Daniel Motlop**
- Launched its premium whisky business, Hidden Lake, in partnership with Chris Malcolm
- **Increased ownership of Torquay Bev Co and launches seltzer brand Nosh**
- Changed name to Mighty Craft (ASX: MCL)

2021

- **Transformational Acquisition of the Adelaide Hills Group of companies (Mismatch Brewery, Adelaide Hills Distillery, Hills Cider and Lot 100)**
- Better Beer launched in November 2021 in patnerhship with the Inspired Unemployed and Torquay Bev Co.
- **Acquired 100% of Jetty Road**

2022

- Announces maiden quarterly profit for Q2 FY22
- Over 35,000 unique distribution points
- Announces Whisky Syndicate partnership to accelerate and fund whisky production
- Better Beer delivers 4.3 million litres in seven months from launch

I leave with no doubt that the foundation for significant growth and shareholder value creation is set and over the coming years the fruits of three years of hard work will be realised. I would like to acknowledge our staff who have worked incredibly hard to get the company to this point, our incredible customers who enjoy our products every day and our shareholders who have supported us through the last three years. There is a lot more work to be done and I leave knowing that the company is led by a highly capable CEO and management team who have a bold ambition for this company that I have no doubt will be achieved. I will continue to be a loyal shareholder of the company, a big fan of the products and look forward to following the ongoing growth and success of the company over the coming years.

Robin Levison
Chairman

Mighty Craft is aiming to become Australia's leading craft drinks business.

Dear Shareholders,

We are very pleased to present you with the annual report containing the FY22 financial results for Mighty Craft Limited (MCL) and the consolidated entity consisting of MCL and the entities it controlled at the end of, or during, the year (the Group).

In March 2022, we released our updated strategy and ambition to become Australia's leading craft drinks business. As part of this strategy, we released strong growth ambitions for FY22 and significantly increased our FY25 ambition to support our overall vision. FY22 was a year in which significant progress was made towards this strategy, with $62.6 million in revenue from continuing operations, representing a 207% growth on FY21.

It is important to note that while we have made significant progress towards our growth strategy, the profitability of the Group has been impacted by several factors, including the ongoing disruption caused by COVID and several one-off impacts which have had a material impact on the FY reported profit number. However, the upward trend in underlying EBITDA reflects the progress the Group is making towards sustainable profit and free cash flow.

Having said this, it is also important to acknowledge some huge successes:

Better Beer: the very successful launch of Better Beer in October 2021.

Adelaide Hills Group: the acquisition of the Adelaide Hills Group of companies (AHG) in July 2021 and integration within the Group.

Kangaroo Island Distillery: the construction of the new distillery on Kangaroo Island.

Whisky Development Syndicate: the partnership with the Whisky Development Syndicate to accelerate the Group's whisky ambition.

Overview of results

The FY22 results reflect very strong top line growth with $62.6 million in revenue from continuing operations, representing a 207% growth on FY21. This growth accelerated in the back half of the year, with $23.4 million of sales in H1 and $39.2 million in H2, reinforcing our confidence in the Group's growth trajectory.

The growth result was achieved despite significant disruption from COVID across the business, which impacted venue performance and sales into on-premises in the early part of the year. Continued staffing challenges, and a slower than anticipated recovery, also played a role across the back half of the year. Direct venues delivered $11.4 million in sales and now represent approximately 20% of Group sales (down from 48% in FY21).

From a wholesale perspective, sales into on-premises were also COVID impacted, down 15% year-on-year on a like-for-like basis (i.e. excluding the AHG acquisition). The impact was felt across the year, particularly in Q1 and Q3. The trend improved across Q4; however, sales were still well short of expected growth rates in a normal trading environment.

Scale is very important for the Group's operating model, and it is important to note the progress against the commitments that were released to the market in March 2022. We achieved all volume commitments and delivered 8 million litres of beer/cider, 264,000 bottles of spirits and 334,000 litres of whisky under maturation, putting the business on track to deliver its FY25 ambition.

Gross margin performance improved to up 3.1 percentage points (PPS) 34.2% of sales. The key driver of the improvement was the increasing scale across the business and the improving cost of logistics and the national distribution network. Key category gross margin metrics:

Beer/cider: gross margins of 26.9% (up 7.9 pps versus FY21)

Spirits: gross margin of 37% (up 2.6 pps versus FY21)

Venue: EBITDA of $1.3m (up 10% versus FY21)

Group overheads were a significant portion of the operating expenses across the Group, best described as the growth engine across all the brands. There are approximately 70 people in the Group head office, including the sales and marketing teams, finance, IT, legal and supply chain. These roles support each of the brands and create a centralised operating model, which is a key aspect of the Group's strategy.

The Group reported an EBITDA loss of $(11.6) million which included several one-off impacts for the year. It is important to note that underlying EBITDA loss, which removes the impact of these one-offs, was $(6.3) million. These one-offs include acquisition and integration costs associated with the AHG acquisition, redundancies relating to the cost reduction program, share-based payments, one-off impact of loan modification relating to the increased debt facility and one-off legal fees.

Key achievements.

It is timely to reflect on some of the significant achievements across the year in a bit more detail, which are all important milestones in pursuit of the Group's ambition. While not an exhaustive list, this demonstrates the dedication and capability of the people within the business, as well as the strong progress towards the Group's FY25 ambition:

Record volume and sales delivery: as noted in the section above, the Group achieved all volume commitments and delivered 8 million litres of beer/cider, 264,000 bottles of spirits and 334,000 litres of whisky under maturation.

Adelaide Hills Group: the business completed the acquisition of the AHG in July 2021, returned sales and distribution to Mighty Craft to accelerate the synergy targets and finalised the integration within the Group within four months. The four businesses within AHG are a strong strategic fit for the Group and have huge growth potential going forward.

Better Beer: launched Better Beer with Torquay Beverage Company and The Inspired Unemployed, and sold 4.3 million litres in seven months from launch. This launch has been described by Endeavour Drinks Group (ASX: EDV) as the largest beer launch since 2014. This success has continued with the recent announcement of a distribution and manufacturing arrangement with DB Breweries in New Zealand to launch the brand in New Zealand in October 2022.

Other notable product and brand launches:

- No / low alcohol offering through Mismatch, Hills Cider and Better Beer, including access to the largest distribution network in the country (national supermarkets).
- The launch of Hidden Lake, a premium single malt whisky brand out of Tasmania.
- The relaunch of Kangaroo Island Spirits, along with the completed construction of a new distillery on Kangaroo Island consisting of two new stills (including a 4,500 whisky still commissioned in April 2022).
- The launch of a Bush Honey and Wattle Seed Coffee Liqueur from Seven Seasons.
- The launch of 78 Degrees whisky into national retailers across the country.

Whisky Development Syndicate: partnered with the Whisky Development Syndicate to raise $3.8 million to accelerate Mighty Craft's whisky ambition.

Cost reduction: executed a cost reduction plan in Q4 FY22, which will result in ongoing savings of approximately $2 million per annum.

Capital management initiatives: executed several capital management initiatives, including the sale and leaseback of property, an equity raise in October 2021 and, most recently, an upweighted debt facility with Pure Asset Management.

Capital management and funding.

The Group continues to prioritise prudent operational cash-flow management, minimal capex investment and the divestment of non-core assets. The Group is clear on priority brands and will be selective in terms of brand investment.

Inflationary headwinds are significant, and the impact of the input cost increases was seen through the later parts of H2. Input cost increases in the range of 10-15% exist across the business and price rises have been executed from 1 August 2022 (and potentially again from 1 February 2023). The Group has implemented a cost reduction program in H2 FY22 which, combined with the planned price rises, will assist in offsetting inflationary pressures.

Another key aspect of the Group's funding plan is the partnership with the Whisky Development Syndicate. The $3.8 million raised will play a key role in funding the Group's whisky ambition without using working capital.

Thank you.

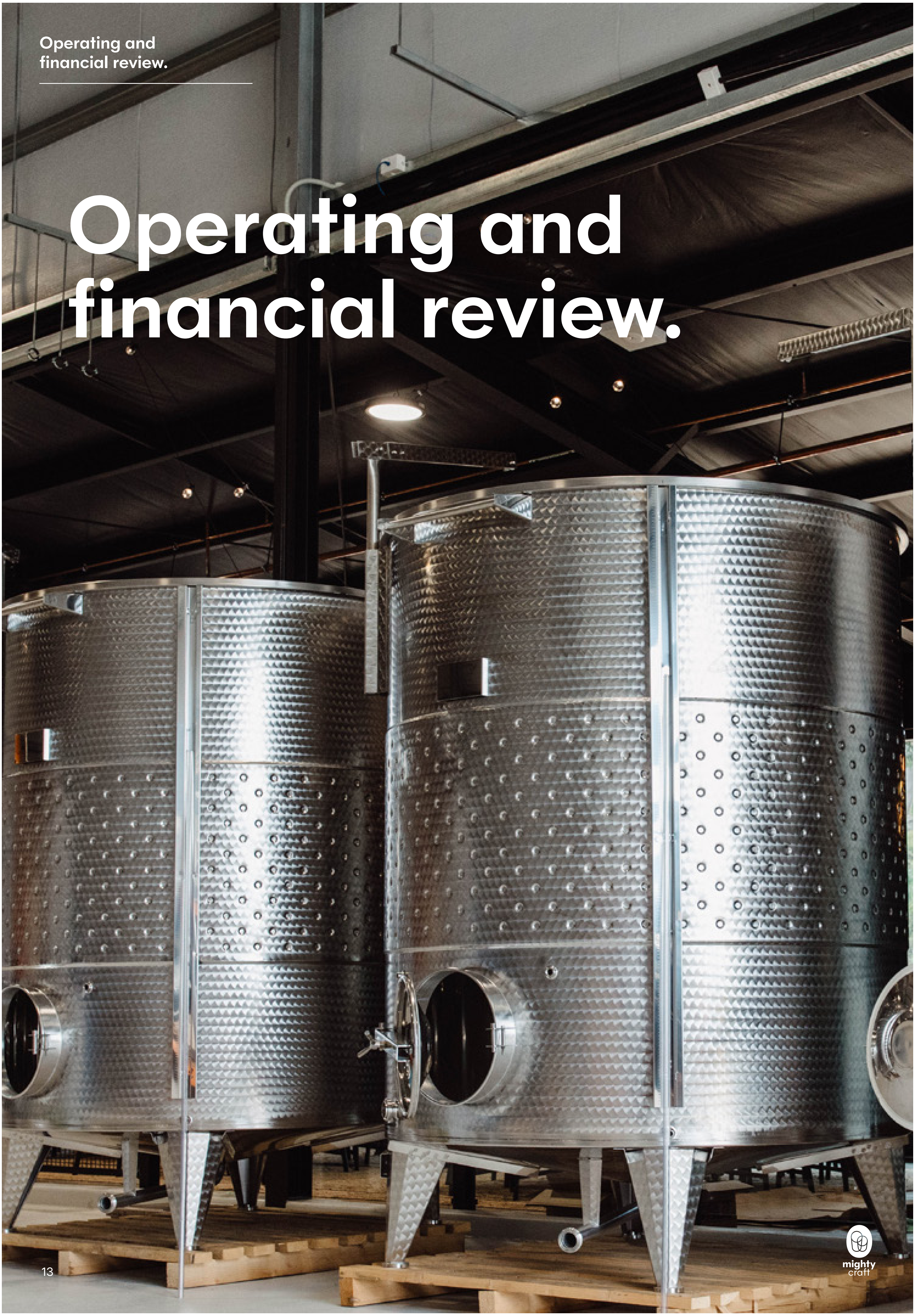
Looking ahead, the Group is focused on delivering sustainable profitability and free cash flow through scale. We are very positive about the future growth trajectory, the improving underlying profitability trend and our ability to execute the Group's strategy. The last two years have been tough, and it is important to acknowledge that shareholder return has been less than desirable.

I would like to thank our shareholders for their patience throughout the past two years, with COVID causing much uncertainty in our business. We hope to reward shareholders patience this coming year by delivering on our growth ambition, which will result in a significant improvement in profitability and continue the path to deliver against our 2025 ambitions.

I would also like to sincerely thank our employees, partners and the Board for their continued support and agility throughout another tough year of COVID-related challenges.

Mark Haysman
CEO and Managing Director

Operating and financial review.



Since listing, Mighty Craft has been focused on becoming Australia's leading craft beverage business and FY22 was a year in which significant progress was made, despite challenging conditions. Mighty Craft is consolidating a portfolio of local premium beverage brands, enabling them to scale their production, distribution and sales through expert industry leadership, access to growth capital and unrivalled operational excellence.

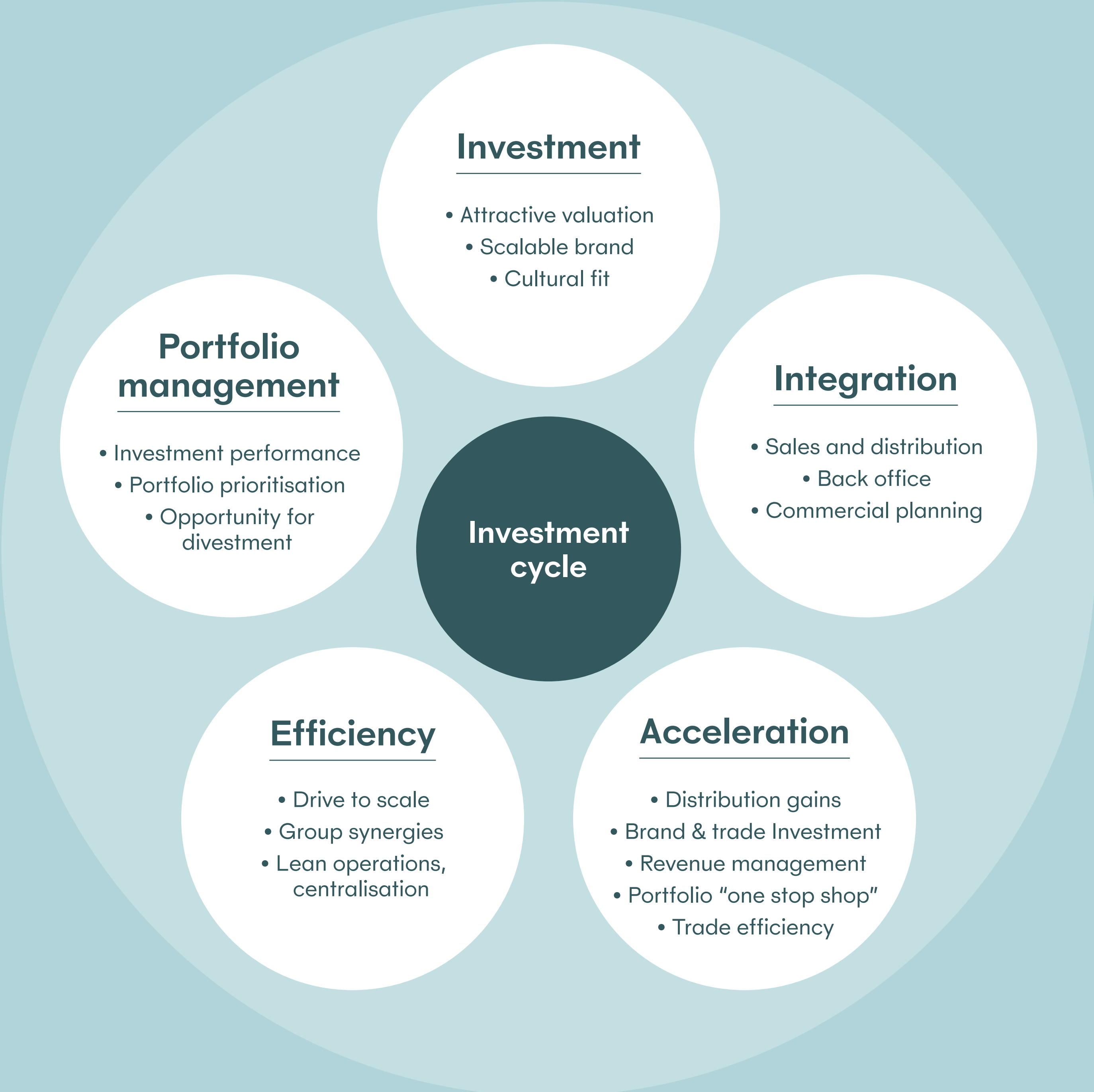
The following Operating and Financial Review contains details of MCL's business activities and operating results for the year ended 30 June 2022, including the results of the Group.

MCL is a premium craft beverage company that listed on the ASX in December 2019. MCL is the only ASX listed business that offers exposure to beer, cider, spirits (white and dark) and ready to drink (RTD) categories. The Group has been focused on building scale across multiple categories, investing behind priority brands and building the commercial teams to create a profitable and scaled craft beverage business. FY22 was a year in which significant progress was made towards these goals in a difficult operating environment.

In March of FY22, MCL released its FY25 strategy that included strong growth ambitions for both FY22 and FY25. The Group is pleased to report that these growth ambitions are on track and all volume targets have been achieved in FY22, demonstrating that the Group is on track to deliver its FY25 commitments.

	FY22 Ambition	FY22 Actual	Growth %
Beer, Cider & RTD	8m Litres	8m Litres	370%
Spirits	250k Bottles	264k Bottles	+174%
Whisky under maturation	300k Litres	334k Litres	NA

A key aspect of achieving the FY25 ambition is focusing human resources and investment towards priority brands that have the potential to reach scale both domestically and internationally. This portfolio approach is aimed at backing the winners and prioritising investment and focus on these brands. This is in line with the Group's investment cycle which is represented below. There are five key steps in the investment cycle and the Group is now focusing on steps three to five, which involve acceleration, efficiency in the form of sustainable earnings and portfolio management.



Key Performance Metrics.

The Group delivered strong growth performance in FY22 despite the ongoing impact of COVID across the business. Revenue growth of 207% was delivered across categories, with both beer/cider and spirits contributing to the result. Importantly, growth accelerated from December 2021, reflecting the success of Better Beer following its launch in October 2021. H2 revenue contribution was $39.2 million or 60% of the FY22 result, demonstrating the Group's continued growth trajectory.

These results were delivered in a challenging operating environment that was impacted throughout the year by COVID lockdowns, staffing challenges and difficult conditions in the on-premises channel. The Group has three main sales channels - direct venues, sales into on-premises and wholesale into off-premises retailers. Two of these channels were materially impacted by COVID through the year, being direct venues and sale into on-premises. While the growth of sales into the off-premises is very encouraging, this does impact profitability given the favourable margins of venues and on-premises sales.

Revenue[1]	$62.6m	+207%
EBITDA[1, 2]	$(11.6)m	+4%
Underlying EBITDA[1, 2, 3]	$(6.3)m	+36%
Gross Margin[1]	34.2%	+3.1pps
Cash[4]	$3.7m	vs 4.3m FY21
Net Assets	$60.1m	+133%

1. All profit and loss numbers represent financial performance of continuing operations only.
2. EBITDA is a non-IFRS measure that the company believes is an important indicator of performance.
3. Underlying EBITDA excludes one-off impacts including acquisition and integration costs associated with the AHG acquisition, redundancies, share based payments, one-off impact of loan modification and one-off legal fees.
4. Undrawn debt facility at year end with available funds of $5.7m

Sales and Distribution performance.

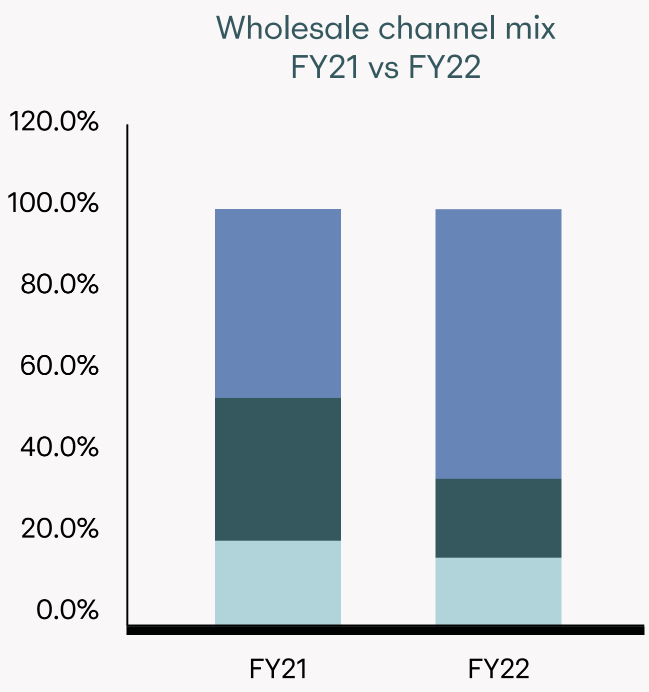
The growth in distribution continued across the course of the year with over 35,000 unique distribution points by the end of FY22. Distribution is a key leading indicator of future growth. An increase of approximately 20,000 distribution points over the year is encouraging and sets the company up for future growth.

Shifting channel mix.

Through COVID, the company has seen a significant shift in the mix of the business away from venues and on-premises sales to off-premises sales.

- Nationals
- Off-premises
- On-premises

The wholesale channel mix FY21 vs FY22 chart illustrates the changing mix of the Group over the last two years with much less reliance upon venues and on-premises sales. Direct venues only accounted for approximately 20% of Group's sales in FY22 (versus 48% in FY21). This mix is expected to continue to shrink over FY23 with off-premises sales growing at a fast rate.



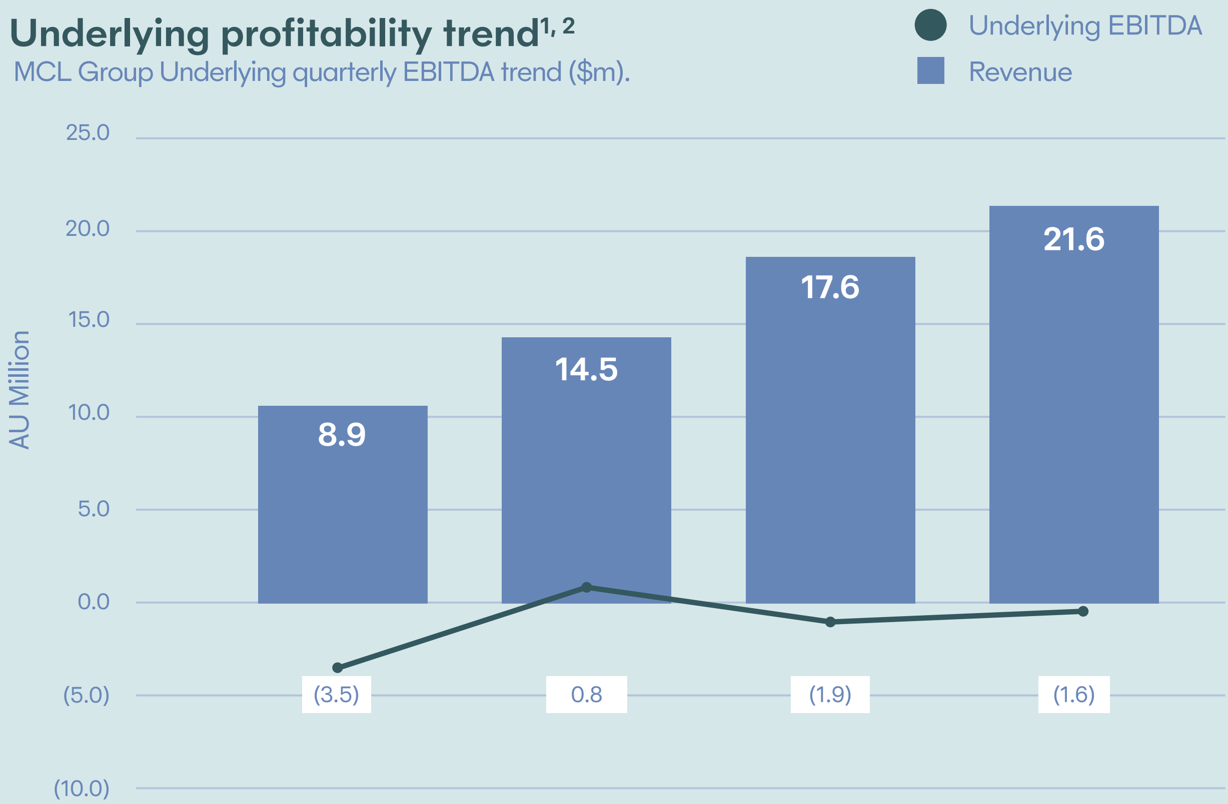
Earnings.

From an earnings perspective there are several factors to unpack. The Headline EBITDA was $(11.6)m, which included a significant number of one-off non-cash impacts. By removing these one-off items, the underlying EBITDA number was $(6.3) million, reflecting the true underlying performance of the business. The key differences between reported EBITDA performance and the underlying EBITDA performance are costs associated with the acquisition and integration of the AHG of companies, a staff retention program (through share-based payments) and costs associated with the cost reduction program that was implemented in Q4 FY22 (i.e. redundancies).

The chart below reflects the underlying EBITDA trend over the year, showing the improving performance across the back half of the year.

Underlying profitability trend[1, 2]

MCL Group Underlying quarterly EBITDA trend ($m).



Underlying EBITDA trend improving albeit some significant tailwinds across the year.

Q1 Venues and on-premises performance poor, COVID lockdowns, seasonally low period.

Q2 Venues improving, peak period, Better Beer launch, excise remission.

Q3 Venues and on-premises poor, Better Beer strong.

Q4 Venues poor, on-premises improving, inflationary headwinds

1. EBITDA is a non-IFRS measure that the company believes is an important indicator of performance.
2. Underlying EBITDA excludes one-off impacts including acquisition and integration costs, redundancies, share based payments, one-off impact of loan modification and one-off legal fees.

Gross margin of 34.2% was up 3.1 pps vs pcp driven mainly through increased scale and distribution and warehousing efficiencies.

The company moved several businesses into assets held for sale at the end of the year, reflecting the strategy to divest non-core assets and recycle capital back into the business. These asset sales are expected to complete through the course of FY23.

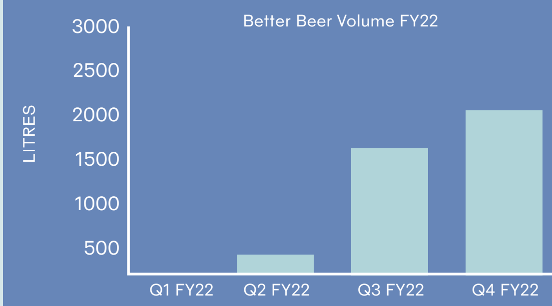
Beer / Cider / RTD Performance.

The beer/cider/RTD category delivered 8 million litres of sales in FY22, in line with market guidance. This compares to 1.7 million litres reported in FY21, a growth of 370% year-on-year. Better Beer delivered 4.3 million litres of this in seven months since its launch in October 2022. This speed to scale is extremely rare in the beer category, with Endeavor Drinks Group describing the launch as the biggest beer launch of since 2014. The Group notes that volumes were capacity constrained for the first three months since launch; however, this issue has now been resolved with production capacity secured and able to support growth. Other notable performance includes Jetty Road with a 25% growth, and Mismatch with a 15% growth on a like-for-like basis.

Adelaide Hills Cider had a disappointing year, down 15% in FY22 versus the prior year. This is driven by an overall decline in the cider category, which is losing share to the fast-growing seltzer and RTD categories. The Group is expecting a rebound in performance in Adelaide Hills Cider in FY23, with a relaunch and repositioning of the brand in Q2 FY23.

Better Beer FY22 performance.

Sales	$19m	Oct 21 Launch
Litres	4.3m	Oct 21 Launch



Spirits Performance.

The spirits growth ambition was also delivered, achieving 264,000 bottles of spirits sold in FY22 versus the 250,000 bottle target. This represents +174% growth versus FY21, or 174% growth versus pcp.

Some notable performances include 120,000 bottles from the Adelaide Hills Distillery in the first year following the acquisition, while Seven Seasons grew at 220% versus pcp and Kangaroo Island grew at 45% versus prior year.

Spirits FY22 performance.

Progress against strategic objectives	On/Off track	Comments
• Increase brand investment to build brand awareness and footprint.	●	Spirit volume up 174% vs prior year. Distribution gains impacted by delay of Kangaroo Island relaunch.
• Accelerate whisky sales through national distribution and export.	●	Whisky national distribution late FY22. Export impacted by COVID and available stock.
• Whisky Development Syndicate to fund whisky expansion.	●	$3.8m of whisky inventory funded by the WDS vs $10m target.
• Export - take our unique brands to the world.	●	Brown spirits in demand. Export agreements executed into China, Europe and North America late FY22.

Bottles	264k	+174%
Gross Margin	37%	+2.6pps

Headwinds
- On-premises impacted by COVID
- Inflationary pressures

Tailwinds
- Distribution gains
- Export demand
- Premiumisation trend continuing
- Whisky demand exceeding supply

Whisky Acceleration.

There was significant progress made across FY22 with regard to accelerating the Group's whisky program.

Whisky under maturation is reflected in the table below, which demonstrates the sizeable opportunity for the Group over the coming years (110,000 litres mature and ready for sale as at the end of FY22). Export distribution agreements were signed into China, Europe and Canada and the first shipments into China are expected in Q1 FY23. Early indication is that the demand for Australian dark spirits into these markets is strong. The key will be balancing domestic vs export allocations to maximise margins.

Whisky sales are still early stage, however, the Group notes that significant ranging outcomes have been achieved with 78 Degrees whisky and national ranging with Endeavor Drinks Group (ASX:EDV) and Coles Liquor. 78 Degrees Whisky now has over 1,200 distribution points across national retailers, independent bottle shops and on-premises nationwide.

Another key achievement in the year was the partnership with the Whisky Development Syndicate (WDS), which is an Australian first for an ASX listed company. The WDS allows the Group to accelerate whisky production without using any working capital reserves. The Group produces whisky for the WDS, sells the whisky to the WDS with an agreement to buy it back upon maturity. This form of financing offers a number of benefits for MCL's shareholders, including the ability to accelerate whisky production, avoid dilution in MCL's shares and increase asset utilisation through whisky production. The WDS raised $3.8m and this will be deployed across FY22 and FY23, and will fund the majority of the Group's whisky ambition.

Whisky Bank[1]	Litres
CY21	67,897
CY22	44,210
CY23	26,472
CY24 – 26	196,026
Total in barrel as at Jun 2022	**334,606**

[1] CY represents expected calendar year maturity date – note this may change over time

Venue Performance.

Mighty Craft had 8 venues in the Group across the course of FY22, with the majority of these venues representing their brand through brewpubs (e.g. Jetty Road brewpub) and cellar doors (e.g. Kangaroo Island distillery). Outside of this, there are the two Mighty Craft venues - Mighty Moonee, and both Mighty Hunter and Lot 100 in the Adelaide Hills. The last two years have been very tough on performance from a direct venue perspective, and this has had a significant impact on the Group's results. As previously reported, all the venues have been in and out of lockdown, impacted by COVID-related staffing challenges and now inflationary pressures. This has resulted in a shift in the business mix away from venues.

Through this period, it has been clear that the venues returning to pre-COVID levels quickly are brewpubs and cellar doors, while the two Mighty Craft venues continue to impact performance. Shareholders will note that a number of businesses including the two Mighty venues have been classified as held for sale in the FY22 accounts, and this reflects MCL's move to divest some of these assets.

Venue FY22 performance.

Progress against strategic objectives	On/Off track	Comments
• Drive brand awareness and consumer trial.	Red	Patronage impacted by COVID.
• Data capture for direct consumer marketing.	Yellow	Data capture is building communities and facilitates direct marketing but is COVID impacted.
• Drive retail margin to MCL.	Yellow	Patronage impacted by COVID.
• Generate positive cash flow and earnings.	Yellow	Branded venues 10% EBITDA margin vs 15% target.

Revenue	$11.4m	+82%
EBITDA	$1.3m	+10%

Headwinds
- COVID disruptions
- Staffing issues driven by COVID
- Inflationary pressures

Tailwinds
- Regional tourism
- Post COVID bounce
- Brewpub and distillery cellar door popularity

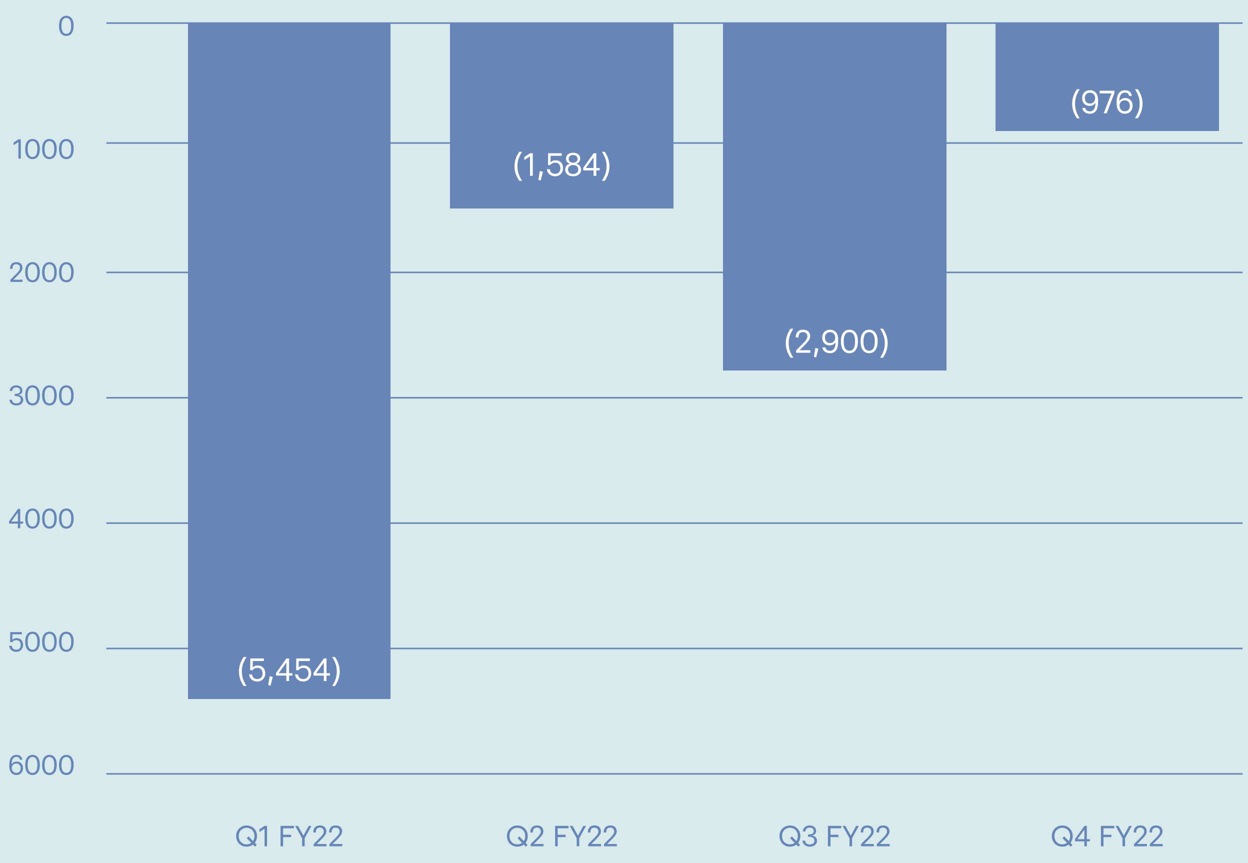
Capital Management.

The Group ended FY22 with $3.7 million cash on hand, as well as the undrawn upsized facility with Pure Asset Management (PURE) of $5.7 million. Along with the other elements of the Group's capital management program, MCL is pursuing the divestment of a number of non-core assets to focus and simplify the business, as well as return capital into the business. The WDS is another important aspect of the Group's capital management strategy, allowing the Group to build its whisky under maturation without using existing cash reserves. The WDS has raised $3.8 million to date and has extended the closing date of the fund.

It is important to note the improving trend in operating cash flow over the course of the year and the impact of this on funding the Group. This trend improved significantly across the year, as can be seen in the chart below, reflecting the impact of scale and in particular the growth of Better Beer.

In light of current market conditions, the Company is committed to streamlining the portfolio, recycling capital, minimising costs and exercising restraint with regard to capital expenditure, in other words, investment in marketing and growth according to ROI hurdles. While COVID-related lockdowns have impeded our path to profitability over the past year, we do remain steadfast in our resolve to be profitable in the medium term.

Net cash flow from operating activities



AHG Performance.

The Group completed the acquisition of the Adelaide Hills Group (AHG) in July 2021, bringing four new businesses into the stable. These businesses are Adelaide Hills Distillery, Adelaide Hills Cider, Mismatch Brewing Company and Lot 100. This was a significant acquisition and doubled the size of the Group in terms of scale. Importantly, the acquisition gives the Group access to efficient manufacturing in spirits and beer, locally manufactured and all-natural cider, and mature Australian-made whisky through 78 Degrees.

This first year of performance has been mixed. The Group has been very pleased with the performance of Adelaide Hills Distillery in particular. The 78 Degrees brand did over 120,000 bottles of sales in FY22 and has over 200,000 litres of whisky under maturation. The demand for Australian whisky both domestically and internationally is strong and the Group has signed distribution agreements into China, Europe and Canada. Domestically, the demand for a reasonably priced, premium Australian whisky is high and the 78 Degrees whisky brand already has over 1,200 distribution points across the country. On the other hand, the performance of Mismatch Brewing Company and Adelaide Hills Cider has been mixed, with both businesses impacted by COVID through sales into the on-premises and slower than expected growth rates. Lot 100 was also impacted by COVID throughout the year. The scorecard below gives more insight into the performance of the four businesses.

Adelaide Hills Group (AHG) performance.

Progress against strategic objectives	On/Off track	Comments
• Integrate AHG companies into MCL business.	On track (green)	Four businesses integrated within three months of acquisition.
• Drive transformational scale into MCL business.	Amber (yellow)	$18.2m of sales in FY22 On premises / COVID impacts.
• Deliver synergy benefits.	Amber (yellow)	• Organisation and distribution synergies delivered in FY22. • Manufacturing on hold until H2 FY23.
• Generate positive cash flow and earnings in line with acquisition case.	Off track (red)	• Earnings off track in year 1. • Target back on business case in year 2.

Revenue $18.2m

EBITDA $3.4m

Headwinds
- COVID disruptions
- High on-premises exposure ~ 40% mix of business
- Cider category in decline

Tailwinds
- Mature whisky stock
- On-premises rebound post COVID
- Export demand for whisky

Looking Ahead.

The growth trajectory of the business continues to accelerate, with FY23 volume ambitions released in August 2022 demonstrating ambitions growth targets that reflect a significant increase which will improve profitability. The chart below sets out the volume ambition for FY23, which reinforces that the Group is on track to achieve its FY25 ambitions.

The Group is expecting to deliver 14 million litres of sales in beer/cider in FY23, grow spirits volumes by over 50% and increase whisky under maturation to 535,000 litres. This is a significant increase in scale, supported by the operating model that has been built over the last two years.

FY23 ambition.

All volume targets delivered in FY22

Ambitious growth targets for FY23 putting MCL on track to deliver against the FY25 ambition

	FY22 Actual	FY23 Ambition	FY25 Ambition
Beer, Cider & RTD	8m Litres	14m Litres	24m Litres
Spirits	264k Bottles	400k Bottles	1m Bottles
Maturing Whisky	334k Litres	535k Litres	1.5m Bottles

These are the company's ambitions only and are not provided as forecasts. No reliance should be made on these statements.

Looking Ahead.

In terms of strategic priorities, these remain broadly the same however; the Group has sharpened its focus on sustainable profit and simplification (as set out below).

Strategic priorities.

Realise intrinsic brand value over time.

Accelerate globally relevant spirits portfolio.

Drive Group efficiency, synergies and sustainable profit.

Retain industry-leading team.

Simplify and focus the business model.

Long-term shareholder value creation.

From a growth perspective, the key aim is to deliver on the FY23 growth ambition across all categories. As previously discussed, these ambitions contain aggressive targets for beer/ cider volumes, spirits bottles and whisky under maturation. Accelerating spirits remains a key priority given the favourable margin structures and opportunity for Australian-made spirits both internationally and domestically.

Driving sustainable profit, retaining industry-leading people and simplifying the business remain core priorities. The Group expects to have further news through H1 FY23 on the divestment of non-core assets that will simplify the business and return capital to fund ongoing growth.

Sustainability highlights.

About Seven Seasons.

Premium spirits business Seven Seasons was founded by Daniel Motlop in 2017 and acquired by MCL in 2020. It is known for using 'the world's oldest new flavours', and many of the native Australian ingredients used in its spirits – thought by many to be as good or better than traditional spirit ingredients – are hand-harvest by Indigenous people in the Northern Territory. The company is focused on sustainability, only harvesting what is bountiful in nature, and supporting local Aboriginal communities through both business opportunities and the Aboriginal Community Harvesters organisation.

About Daniel Motlop.

Before he became a food and beverage entrepreneur, Daniel was a successful AFL footballer, playing for both the North Melbourne and Port Adelaide clubs during his career. Since 2016, he and his father Eddie and brothers Steven and Shannon have been majority owners of Something Wild, which supplies native Australian ingredients to restaurants and consumers around the country. During that time, they have built strong relationships with Indigenous communities around Australia, providing them with positive opportunities and outcomes. Daniel is a proud Larrakia man, who is passionate about promoting the ethical, sustainable and permitted use of native Australian ingredients.

"It was a dream of mine to create a company that celebrated the learning, culture and ingredients from the Top End," says Motlop. "After the success of Green Ant Gin, a product I'd always wanted to make, it's a natural progression to develop new flavours and showcase what else my people have to offer."

The reason for Seven Seasons.

For Aboriginal people and Torres Strait Islanders, nature is their clock. The stars are their calendar. The changes in the wind, plants and animals herald the arrival of the new season.

The Larrakia people, whose homelands stretch from the Cox Peninsula to Gunn Point, the Adelaide River to Manton Dam, believe there are seven seasons, each one marked by monsoonal rain, the arrival of dragonflies, the fruiting of native cherries or other natural cycles.

Bush Apple Gin is a product of Monsoon Season, when the heavy rain starts, crocs lay their eggs and the barramundi are flourishing. It's also the time the fruit of the bush apple is ready to be picked from the treetops.

Windy Time is the season of Green Ant Gin. It's when the wattles bloom and the stingrays are plump. So are the bums of the green bush ants. Using a traditional method, the Larrakia people carefully remove juicy worker ants from the nest, avoiding breeding times and queen ants to ensure regeneration for the following season.

Our next spirit, Native Yam Vodka, reflects the Larrakia Rainy Season. It's when the green tree frogs are singing and the native plums are ripe. A distinctive bell-shaped flower also appears during this season meaning the yams are ready to be dug from the earth.

Sustainability matters.

While certain ingredients and botanicals, like juniper, come from far-flung sources, much of the produce for Seven Seasons', spirits is sourced only from Aboriginal communities who employ Aboriginal harvesters. They take only what is bountiful to ensure a plentiful annual return.

Each year, more than three tonnes of fresh native ingredients – the green ants, bush apples and native yams – are bought direct from communities throughout the Top End.

It's all in the family.

"Our Larrakia family started harvesting the green ants three or four years ago and created the gin," says Motlop, whose brother Shannon runs the harvesting operations throughout the Top End. "By employing local harvesters, we have been able to create sustainable jobs for hundreds of Aboriginal people and their payments flow back into supporting their communities, which is really what is important.

"For instance, people never had a place to sell their bush apples, so we created a market for them with some restaurants, but the volumes have been very small. Now, with the creation of our new Bush Apple Gin, we've been able to include them in a commercial product and commit to buying a substantial amount from them every year."

The people.

We consider the Mighty Craft team as our greatest asset. We are committed to a robust safety culture and provide a safe and healthy workplace across all brands and venues. Investing in talent development is a priority across the business and leadership training is provided to Mighty Craft venues and the corporate team. In terms of safety, the Group has implemented Donesafe to ensure we can more effectively report safety issues and train our people. In this challenging time of COVID, our number one priority continues to be ensuring the safety of our customers and employees, and to date we have achieved this and will continue to place the safety of people above all else. The Board takes its responsibility to provide a safe environment for customers and employees very seriously and has a zero-tolerance mindset. We have implemented BambooHR to provide a better employee experience via performance reviews and onboarding, and improved people metrics to inform our hiring and performance strategy.

Board and Governance.

Remuneration of executives, including Mark Haysman, Stuart Morton and Daniel Wells (Non-Executive Director effective 1 July 2022) is determined by the non-executive members of the Board, having consideration of relevant market practices and the circumstances of the Group on an annual basis. It is the view of the Non-Executive Directors on the Board that it is in the interests of shareholders for the executive directors to receive part of their remuneration package in the form of variable remunerations that are based on equity. The Board uses external REM consultants to review the reasonableness of remuneration of Board members and executive directors, including the Managing Director Mark Haysman. The Board is comfortable that the remuneration of executives and directors is in line with market expectations.

Board of Directors.

Board members.

Robin Levison
Chairman and Non-Executive Director

More than 15 years' experience in small to mid-cap corporate finance and restructure. Currently Executive Chairman of PPK Group. Previously Managing Director and CEO of Industrea Limited. Former Global Director of M&A at GE Mining. Board experience across ASX and NZX listed companies.

Mark Haysman
CEO and Managing Director

More than 25 years' experience in the beverages, retail and hospitality industries. Previously with Carlton & United Breweries (AB InBev) as the National Sales Director, SAB Miller, Lion, Port Adelaide FC and Deloitte. Director experience includes the Moseley Bar & Kitchen, the RD Jones Group, the University of SA Business School, Starlight Foundation, and Marine Stores Pty Ltd.

Stuart Morton
Co-founder and Executive Director

Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model. Experienced corporate finance professional with extensive experience within the property industry.

Daniel Wales
Co-founder and Non-Executive Director
(Non-Executive Director effective 1 July 2022)

Over 20 years' experience in senior sales, marketing and strategy roles with the largest global FMCG food and beverage multinationals. Previously Head of Category Strategy in beverages industry.

John Hood
Non-Executive Director

Significant experience in accounting and finance. Currently holds a number of directorships including Flinders University and Intersect. Previously director of Port Adelaide Football Club and Foodbank (SA). Held senior roles with PwC and was a Partner at Deloitte.

Sean Ebert
Non-Executive Director

Bachelor of Engineering with honours from the University of South Australia and Member of the Australian Institute of Company Directors. Over 25 years' executive experience in public and private sectors. Currently holds a number of directorships including AML3D, FCT Holdings and International Fashion Labels. Previously CEO of Beston Global Food Company, Camms Pty Ltd and Profit Impact Pty Ltd.

Management team.

Mark Haysman

CEO and Managing Director

- Over 25 years' experience in the beverages, retail and hospitality industries.
- Previously with Carlton & United Breweries (AB InBev) as the National Field Sales.
- Director, CEO of Port Adelaide FC.
- Chartered accountant for 30 years - ex Deloitte, Lion Nathan.

Stuart Morton

Co-founder & Investment Director

- Has co-founded and listed three public companies including AIM-listed Empresaria Group plc. Has extensive corporate finance experience, having been involved in early-stage equity investments in over 40 companies both in Australia and the United Kingdom.
- Master of Business Administration and Master of Finance from Bond University, Member of the Australian Institute of Company Directors.

Andrew Syme

CFO and Company Secretary

- 20+ years' experience in finance, accounting and strategy roles in the FMCG sector.
- Bachelor of Commerce degree, certified practising accountant and member of the AICD.
- Key leadership roles at Mondelez, Cadbury and Kraft Foods.

Jess Lyons

General Counsel

- An experienced General Counsel and Executive Leader with deep drinks industry knowledge.
- More than 20 years' experience in mergers & acquisitions, project management, corporate governance, risk management and legal compliance.
- Held General Counsel roles at Carlton & United Breweries and Brick Lane Brewing Co.
- Holds a Bachelor of Law and Bachelor of Arts from Monash University, as well as a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Cameron Buckland

Sales Director

- Over 20 years' experience in the alcoholic drinks category across FMCG, retail and manufacturing.
- Previously held senior sales and business management roles with Carlton & United Breweries, Brown Forman and Dan Murphy's.

Ben Adams

General Manager - Supply Operations

- Diverse skillset covers Mechanical Engineering, Project Management and Professional Services.
- Most recently held leadership roles at both Deloitte and EY Oceania specialising in the FMCG sector.

Hanna Gyton

Senior Legal Counsel and Company Secretary

- An experienced senior legal counsel and leader, with more than 10 years' advising across the FMCG, retail and manufacturing industries.
- Previously held roles at King & Wood Mallesons, AGL, Swisse Wellness and ENGIE.
- Holds a Juris Doctor Law Degree, Bachelor of Commerce and Bachelor of Arts from the University of Melbourne.

Mighty Craft Limited and its controlled entities
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Directors' Report

The directors of Mighty Craft Limited ("the Company") present their report, together with the financial statements, on the Company and its controlled entities ("the Group") for the year ended 30 June 2022.

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

Robin Levison	Non-Executive Chairman
Mark Haysman	Chief Executive Officer & Managing Director
Stuart Morton	Executive Director
Daniel Wales	Executive Director (Non-Executive Director effective 1 July 2022)
John Hood	Non-Executive Director
Sean Ebert	Non-Executive Director (appointed 19 July 2021)

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

Andrew Syme

Principal activities
Founded in 2017, Mighty Craft Limited (ASX:MCL) is aiming to build the world's strongest craft beverage collective through supporting and growing independent craft brewery and distillery businesses. Mighty Craft Limited has invested in select craft beverages and is accelerating the brands' growth through equity and debt funding whilst providing access to MCL's leading team of liquor industry professionals providing functional excellence to craft operators. The Group's focus is on allowing founders to play to their strengths while the MC team of industry experts supports by covering the gaps constraining growth and profitability.

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

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

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

Review of operations
Revenue from ongoing operations was $62.6 million, which is up 207% on the prior year. Overall total income from continuing operations closed at $63.5 million, up 191% on the prior year. This growth was achieved through a combination of strong organic growth, the integration of the AHG group of companies and the successful launch of Better Beer with contributed $19 million of sales from launch in October 2021.

The loss attributable to the owners of Mighty Craft Limited of $20.6 million (2021: $15.0 million) was a significant loss and it is important to break this down into its components as there are several impacts that the company regards as one-off costs incurred in FY22 that are not ongoing.
-Discontinued operations – the Group recognised an impairment impact of $2.98 million from discontinued operations reflecting the strategy to divest non-core assets and simplify the business
-Costs associated with the acquisition of the AHG group of companies – the company made a transformational acquisition in FY22 and incurred a number of one-off acquisition costs
-COVID related impacts in venues and sales into the on premise – the ongoing impact of COVID related lockdowns and slow sales into the on-premise channel materially impacted the group's performance FY22
-Redundancies – the Group incurred a number of redundancy costs in FY22 that were a result of reducing the Group overhead cost base and are not regarded as ongoing costs
-Share-based payments – the Group incurred a significant cost attached to share based payments designed to retain the management team in a difficult operating environment and one in which limited short term incentives have been paid for a number of years
-One off non-cash impact associated with the increased debt facility with Pure Asset Management
All these impacts are one off in nature and are not expected to continue into FY23. The company points towards the Investor presentation which reflects ongoing or underlying profitability.

Significant changes in the state of affairs
On 19 July 2021, the Group completed the acquisition of the 'Adelaide Hills Group' (AHG), comprising Mismatch Brewing Company Pty Ltd (acquired 100%), MK Wine Solutions Pty Ltd (acquired 100%), The Hills Distillery Pty Ltd (acquired 100%) and Lot 100 Pty Ltd (acquired 75%). Total consideration was $47 Million, comprising $27 Million in cash and $20 Million in MCL shares. To facilitate the transaction, the Group successfully completed a capital raise, comprising an Institutional Placement & Entitlement Offer of a total of 90,625,000 shares at $0.32 per share, which raised $29 Million in cash, and $27 Million of this was used to fund the acquisition. The remaining $20 Million of the consideration on acquisition was 57,142,859 shares issued to the vendors at a price of $0.35 per share.

During the year, Mighty Craft Limited successfully refinanced it's existing debt facility with PURE Asset Management Pty Ltd, resulting in a net increase in debt funding of $6.3 million. As at 30 June 2022, the additional funding has not been drawn.

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

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Directors' Report

Matters subsequent to the end of the financial year

Post 30 June 2022, the following significant events occurred:

a) On 7 July 2022, the Company renegotiated it's existing Convertible Note deed with Sparkke Group Holdings, extending the term of the deed until 9 December 2022. The terms of the convertible notes otherwise remain unchanged.

b) On 14 July 2022, Mighty Craft Limited renegotiated its existing Convertible Note Deed with Slipstream Brewing Co Pty Ltd and option to purchase shares in Slipstream, extending the term of both. The terms otherwise remain unchanged.

c) On 7 July 2022, the Company entered into a binding term sheet with DB Breweries Limited (DB Breweries) to distribute the Better Beer product into New Zealand.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, having had an impact on forced closure of venues up to 30 June 2022. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Likely restrictions on maximum capacities at the Group's venues will impact sales performance.

Apart from the above, no other matter or circumstance has arisen since 30 June 2022 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 the report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Information on directors

Name:	Robin Levison
Title:	Non-Executive Chairman
Qualifications:	Masters of Business Administration from the University of Queensland, Chartered Accountant and Graduate and Fellow of the Australia Institute of Company Directors.
Experience and expertise:	Currently Chairman of PPK Group Limited. Previously Managing Director and CEO of Industrea Limited and Global Director of M&A at GE Mining. Has held senior roles at KPMG, Barclays Bank and Merrill Lynch.
Current directorships:	PPK Group Ltd (ASX: PPK); LIS Energy Ltd (ASX: LIS)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Board
Interests in shares:	4,156,961
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

Name:	Mark Haysman
Title:	Chief Executive Officer and Managing Director
Qualifications:	Bachelor of Economics (Accounting) from the University of Adelaide, Member of the Institute of Chartered Accountants, Member of the Australia Institute of Company Directors.
Experience and expertise:	Over 25 years' experience in the beverages, retail and hospitality industries. Previously with Carlton & United Breweries (AB InBev) as the National Sales Director, SAB Miller, Lion, Port Adelaide FC and Deloitte. Director experience includes the Moseley Bar & Kitchen, the RD Jones Group, the University of SA Business School, Starlight Foundation, and Marine Stores Pty Ltd.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	4,725,902
Interests in performance rights:	2,815,205
Contractual rights to shares:	Nil

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Directors' Report

Name:	Stuart Morton
Title:	Executive Director
Qualifications:	Masters of Business Administration and Masters of Finance from the Bond University, Member of the Australia Institute of Company Directors.
Experience and expertise:	Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model; Extensive experience within the property industry and currently on the Board of Mighty Crafts subsidiary Foghorn Brewery.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	7,237,808
Interests in performance rights:	200,000
Contractual rights to shares:	Nil

Name:	Daniel Wales
Title:	Executive Director (Non-Executive Director effective 1 July 2022)
Qualifications:	Bachelor of Commerce (Marketing) from the University of Wollongong
Experience and expertise:	Over 20 years' experience in senior sales, marketing and strategy roles with the largest Global FMCG Food and Beverage Multinationals. Previously Head of Category Strategy in beverages industry.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	5,751,968
Interests in performance rights:	273,684
Contractual rights to shares:	Nil

Name:	John Hood
Title:	Non-Executive Director
Qualifications:	Bachelor of Economics, Dip Accounting from the Flinders University in South Australia
Experience and expertise:	Significant experience in accounting and finance. Currently holds a number of directorships including Flinders University. Previously held directorships with Port Adelaide FC, Foodbank SA, and held senior role at PwC and Partner at Deloitte.
Current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,594,729
Interests in performance rights:	500,000
Contractual rights to shares:	Nil

Name:	Sean Ebert
Title:	Non-Executive Director
Qualifications:	Bachelor of Engineering with honours from the University of South Australia and Member of the Australia Institute of Company Directors
Experience and expertise:	Over 25 years executive experience in public and private sectors. Currently holds a number of directorships including AML3D, FCT Holdings and International Fashion Labels. Previously CEO of Beston Global Food Company, Camms Pty Ltd and Profit Impact Pty Ltd.
Current directorships:	AML3D Ltd (ASX: AL3)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	90,000
Interests in performance rights:	Nil
Contractual rights to shares:	Nil

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

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

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

mighty craft

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Directors' Report

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Robin Levison	11	12
Mark Haysman	12	12
Stuart Morton	12	12
Daniel Wales	12	12
John Hood	12	12
Sean Ebert	11	11

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

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

Remuneration report (audited)

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

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

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

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

The Board is currently not of a relevant size to justify the formation of separate committees. However, the Board has adopted a Remuneration and Nominations Charter. Until such time that a separate Remuneration and Nomination Committee is constituted, the Board remains responsible for such matters and will discharge its responsibilities in accordance with the Committee Charter (to the extent applicable). The Board recognises that the performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

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

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

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

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Directors' Report

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

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

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

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

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

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

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

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

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

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

Use of remuneration consultants
During the financial year ended 30 June 2022, the Group, through the Board, engaged an external remuneration consultant to review its existing remuneration policies. The Board retains its right to use external remuneration consultants in the future.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')
At the 29 November 2021 AGM, 97.58% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

The key management personnel of the Group consisted of the following directors of Mighty Craft Limited:
- Robin Levison - Non-Executive Chairman
- John Hood - Non-Executive Director
- Sean Ebert - Non-Executive Director (appointed 19 July 2021)
- Mark Haysman - Managing Director and Chief Executive Officer
- Stuart Morton - Executive Director
- Daniel Wales - Executive Director (Non-Executive Director effective 1 July 2022)

And the following person:
- Andrew Syme - Chief Financial Officer and Company Secretary

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Directors' Report

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

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

* Represents remuneration from 19 July 2021 to 30 June 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares *	Equity-settled performance rights	Total
2021	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Robin Levison (Chairman)	80,000	-	-	-	-	-	-	80,000
John Hood	39,996	-	-	-	-	-	-	39,996
Executive Directors:								
Mark Haysman	380,340	-	-	36,100	-	-	-	416,440
Stuart Morton	190,340	-	-	18,050	-	-	-	208,390
Daniel Wales	261,000	-	-	24,432	-	-	-	285,432
Other Key Management Personnel:								
Andrew Syme	276,000	-	-	22,802	-	-	62,379	361,181
	1,227,676	-	-	101,384	-	-	62,379	1,391,439

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2022	2021	2022	2021	2022	2021
Non-Executive Directors:						
Robin Levison (Chairman)	100%	100%	-	-	-	-
John Hood	100%	100%	-	-	-	-
Sean Ebert	100%	100%	-	-	-	-
Executive Directors:						
Mark Haysman	58%	100%	-	-	42%	-
Stuart Morton	93%	100%	-	-	7%	-
Daniel Wales	93%	100%	-	-	7%	-
Other Key Management Personnel:						
Andrew Syme	59%	83%	-	-	41%	17%

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

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Directors' Report

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:	Mark Haysman
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	19 November 2018
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $380,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 50% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Stuart Morton
Title:	Executive Director
Agreement commenced:	1 March 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $190,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Daniel Wales
Title:	Executive Director (Non-Executive Director effective 1 July 2022)
Agreement commenced:	2 September 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $260,000 plus superannuation, to be reviewed annually by the Board. 6 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	Andrew Syme
Title:	Chief Financial Officer
Agreement commenced:	2 December 2019
Term of agreement:	Ongoing (until termination by either party)
Details:	Base salary of $285,000 plus superannuation, to be reviewed annually by the Board. 3 month termination notice by either party, cash bonus of 30% as per Board approval and KPI achievement, non-solicitation and non-compete clauses.

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

Share-based compensation

Issue of shares
No shares have been issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options
There were no options on issue during the year ended 30 June 2022.

Mighty Craft Limited and its controlled entities
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Directors' Report

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

Name	Grant date	Vesting date	Expiry date	Fair value per right at grant date	Number of rights granted	Value of rights granted ($)
Mark Haysman	12/07/2021	30/06/2022	12/07/2036	0.14	773,333	104,555
Mark Haysman	12/07/2021	30/06/2022	12/07/2036	0.34	515,556	172,711
Mark Haysman	12/07/2021	30/06/2023	12/07/2036	0.23	915,790	210,906
Mark Haysman	12/07/2021	30/06/2023	12/07/2036	0.34	610,526	204,526
Stuart Morton	12/07/2021	30/06/2023	12/07/2036	0.23	120,000	27,636
Stuart Morton	12/07/2021	30/06/2023	12/07/2036	0.34	80,000	26,800
Daniel Wales	12/07/2021	30/06/2023	12/07/2036	0.23	164,210	37,818
Daniel Wales	12/07/2021	30/06/2023	12/07/2036	0.34	109,474	36,674
Andrew Syme	07/10/2021	30/06/2022	07/10/2036	0.29	141,591	41,061
Andrew Syme	22/02/2022	30/06/2023	22/02/2037	0.18	173,684	31,958
Andrew Syme	22/02/2022	30/06/2023	22/02/2037	0.31	115,790	35,895
Andrew Syme	22/02/2022	30/06/2022	22/02/2037	0.31	571,429	177,143
Andrew Syme	22/02/2022	30/06/2023	22/02/2037	0.31	285,714	88,571
Andrew Syme	22/02/2022	30/06/2024	22/02/2037	0.31	551,724	171,034

Additional information
The earnings of the Group for the four years to 30 June 2022 are summarised below:

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

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

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

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Rights issue	On-Market Trade	Received as part of remuneration	Disposal / Transfer	Balance at the end of the year
Ordinary shares						
Robin Levison	3,804,461	312,500	40,000	-	-	4,156,961
John Hood	3,158,209	156,250	-	-	719,730	2,594,729
Sean Ebert	-	-	90,000	-	-	90,000
Mark Haysman	4,581,618	31,250	113,034	-	-	4,725,902
Stuart Morton	7,067,558	156,250	14,000	-	-	7,237,808
Daniel Wales	5,689,468	62,500	-	-	-	5,751,968
Andrew Syme	80,000	-	-	-	80,000	-
	24,381,314	718,750	257,034	-	799,730	24,557,368

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Directors' Report

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Performance rights					
Andrew Syme	800,000	1,839,932	-	800,000	1,839,932
Mark Haysman	-	2,815,205	-	-	2,815,205
Stuart Morton	-	200,000	-	-	200,000
Daniel Wales	-	273,684	-	-	273,684
	800,000	5,128,821	-	800,000	5,128,821

Other transactions with key management personnel and their related parties
During the financial year, the Group incurred costs of $74,800 (GST inclusive) for financial management & strategic planning services from Catalyst Pty Ltd (director-related entity of Mr Haysman). This included strategic and business planning, digital commerce platform project and roll out, and ERP design and implementation. There was no outstanding balance owing to the company as at 30 June 2022 with respect to services rendered. The contract expired in July 2021 and all transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Group incurred costs of $79,484 (GST inclusive), for financial and acquisition due diligence accounting services from Drua & Harroberg Pty Ltd, trading as Humanee (director-related entity of Mr Hood). This included assistance with the Adelaide Hills Group ("AHG") business combination along with general management reporting & transactional accounting services. All transactions were made on normal commercial terms and conditions and at market rates. There was no outstanding balance owing to the company as at 30 June 2022 with respect to services rendered.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under rights
12/07/2021	12/07/2036	$0.00	773,333
12/07/2021	12/07/2036	$0.00	515,556
12/07/2021	12/07/2036	$0.00	1,200,000
12/07/2021	12/07/2036	$0.00	800,000
07/10/2021	07/10/2036	$0.00	485,421
22/02/2022	22/02/2037	$0.00	1,065,472
22/02/2022	22/02/2037	$0.00	710,318
22/02/2022	22/02/2037	$0.00	2,182,144
22/02/2022	22/02/2037	$0.00	928,571
22/02/2022	22/02/2037	$0.00	2,448,276
22/02/2022	22/02/2037	$0.00	100,000
22/02/2022	22/02/2037	$0.00	100,000
			11,309,091

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

Shares issued on the exercise of performance rights
There were no ordinary shares of Mighty Craft Limited issued on the exercise of performance rights during the year ended 30 June 2022 (2021: 2,250,000) and up to the date of this report.

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

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

Mighty Craft Limited and its controlled entities
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Directors' Report

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

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

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

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

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

The directors are of the opinion that the services as disclosed in Note 38 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

Rounding of amounts
Mighty Craft Limited is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

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

On behalf of the directors

Robin Levison
Chairman

31 August 2022
Melbourne

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mighty Craft Limited and its controlled entities for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 31 August 2022
Melbourne, Victoria

Mighty Craft Limited and its controlled entities
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	30-Jun-22 $'000	30-Jun-21 $'000
Revenue from continuing operations	5	62,598	20,406
Share of profits/(losses) of associates accounted for using the equity method	6	(588)	(147)
Other income	7	1,510	1,541
		63,520	**21,800**
Expenses			
Cost of sales		(41,207)	(14,059)
Employee benefits expense	8	(18,935)	(12,038)
Equipment hire and maintenance		(598)	(221)
Legal and professional fees		(3,219)	(2,988)
Selling and marketing expenses		(3,940)	(1,719)
Depreciation and amortisation expenses	8	(2,699)	(836)
Occupancy expenses		(1,275)	(699)
Travelling and conveyance		(573)	(262)
Share-based payments expense		(1,197)	(256)
Loss on extinguishment of financial liability		(1,230)	-
General and administration expenses	8	(2,902)	(1,672)
Finance costs	8	(2,262)	(979)
Loss before income tax expense from continuing operations		**(16,517)**	**(13,929)**
Income tax expense	9	(487)	-
Loss after income tax expense from continuing operations		**(17,004)**	**(13,929)**
Loss after income tax expense from discontinued operations	10	**(3,406)**	**(1,572)**
Loss after income tax expense for the year		**(20,410)**	**(15,501)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		344	-
Other comprehensive income for the financial year (net of tax)		**344**	**-**
Total comprehensive loss for the financial year		**(20,066)**	**(15,501)**
Loss for the financial year is attributable to:			
Non-controlling interest		234	(500)
Owners of Mighty Craft Ltd		(20,644)	(15,001)
		(20,410)	**(15,501)**
Total comprehensive income for the financial year is attributable to:			
Continuing operations		339	(410)
Discontinued operations		(105)	(90)
Non-controlling interest		**234**	**(500)**
Continuing operations		(16,999)	(13,519)
Discontinued operations		(3,301)	(1,482)
Owners of Mighty Craft Ltd		**(20,300)**	**(15,001)**
		(20,066)	**(15,501)**

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

Mighty Craft Limited and its controlled entities
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

		30-Jun-22 Cents	30-Jun-21 Cents
Earnings per share - basic and diluted (cents) from continuing operations attributable to the owners of Mighty Craft Ltd	46	(5.60)	(9.41)
Earnings per share - basic and diluted (cents) from discontinued operations attributable to the owners of Mighty Craft Ltd	46	(1.07)	(1.03)
Earnings per share - basic and diluted (cents) attributable to the owners of Mighty Craft Ltd	46	(6.67)	(10.44)

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

Mighty Craft Limited and its controlled entities
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Consolidated Statement of Financial Position
as at 30 June 2022

	Note	30-Jun-22 $'000	30-Jun-21 $'000
Current assets			
Cash and cash equivalents	11	3,737	4,255
Trade and other receivables	12	4,489	3,183
Inventories	13	10,949	5,859
Other current assets	14	4,655	961
		23,830	14,258
Assets of disposal groups classified as held for sale	15	10,186	-
		34,016	14,258
Non-current assets			
Receivables	16	305	305
Investments accounted for under the equity method	17	2,501	3,089
Financial assets at fair value through profit and loss	18	1,553	2,500
Financial assets at fair value through other comprehensive income	19	3,588	3,147
Property, plant and equipment	20	13,290	12,522
Right-of-use assets	21	10,714	13,592
Intangible assets	22	46,550	7,873
Other non-current assets	23	776	350
		79,277	43,378
Total assets		**113,293**	**57,636**
Current liabilities			
Trade and other payables	24	11,649	9,270
Borrowings	25	234	144
Employee benefits	26	1,053	1,158
Lease liabilities	27	1,115	406
Provision for income tax		576	-
Provisions	28	688	-
Other current liabilities	29	2,105	201
		17,420	11,179
Liabilities directly associated with assets classified as held for sale	30	7,023	-
		24,443	11,179
Non-current liabilities			
Borrowings	25	14,195	6,667
Employee benefits	26	105	97
Lease liabilities	27	11,648	13,880
Provisions	28	69	-
Derivative financial instruments	36	2,755	-
		28,772	20,644
Total Liabilities		**53,215**	**31,823**
Net assets		**60,078**	**25,813**
Equity			
Issued capital	31	104,062	48,942
Retained earnings / (accumulated losses)	32	(48,998)	(25,657)
Investment revaluation reserve	33	344	-
Share-based payments reserve	33	2,973	2,004
Equity attributable to the owners of Mighty Craft Ltd		58,381	25,289
Non-controlling interest	34	1,697	524
Total equity		**60,078**	**25,813**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Mighty Craft Limited and its controlled entities
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Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

	Issued Capital	Retained profits / (accumulated losses)	Share-based payments reserve	Fair value reserve of financial assets at fair value through OCI	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	39,174	(10,402)	1,231	-	262	30,265
Loss after income tax expense for the year	-	(15,001)	-	-	(500)	(15,501)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	(15,001)	-	-	(500)	**(15,501)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	9,768	-	(900)	-	508	**9,376**
Transfer (to) / from minority interests	-	(254)	-	-	254	**-**
Share-based payments	-	-	1,673	-	-	**1,673**
Balance at 30 June 2021	**48,942**	**(25,657)**	**2,004**	**-**	**524**	**25,813**
Balance at 1 July 2021	48,942	(25,657)	2,004	-	524	25,813
Loss after income tax expense for the year	-	(20,644)	-	-	234	(20,410)
Other comprehensive income for the year, net of tax	-	-	-	344	-	344
Total comprehensive income / (loss) for the year	-	(20,644)	-	344	234	**(20,066)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	55,120	-	-	-	(2,171)	**52,950**
Transfer (to) / from minority interests	-	(3,110)	-	-	3,110	**-**
Transfer (to) / from retained earnings	-	413	(413)	-	-	**-**
Share-based payments	-	-	1,382	-	-	**1,382**
Balance at 30 June 2022	**104,062**	**(48,998)**	**2,973**	**344**	**1,697**	**60,078**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Mighty Craft Limited and its controlled entities
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Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Note	30-Jun-22 $'000	30-Jun-21 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		77,625	30,812
Payments to suppliers and employees (inclusive of GST)		(87,196)	(45,307)
Job Keeper received		-	1,109
Other revenue		595	530
Income taxes paid		(116)	-
Interest and other finance charges paid		(1,819)	(1,476)
Net cash used in operating activities	**47**	**(10,911)**	**(14,332)**
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired	43	(25,884)	909
Payments for property, plant and equipment		(3,308)	(7,116)
Payments for intangibles		(467)	(596)
Loans to related parties		-	(200)
Payments for investments in associates - ordinary shares		-	(500)
Payments for investments in other entities - ordinary shares		(96)	(1,450)
Payments for investments - convertible notes		(53)	-
Security deposits paid		(51)	(165)
Security deposits released		-	137
Proceeds from disposal of investments - convertible notes		1,000	-
Proceeds from disposal of property, plant and equipment		3,550	28
Proceeds from disposal of investments		-	61
Net cash used in investing activities		**(25,309)**	**(8,892)**
Cash flows from financing activities			
Proceeds from issue of shares		34,643	9,337
Payments for purchase of shares from non-controlling interests in subsidiaries		(575)	-
Proceeds from issue of shares to non-controlling interests in subsidiaries		76	83
Transaction costs related to issue of shares		(2,834)	(374)
Proceeds from borrowings		5,895	7,526
Repayment of borrowings		(268)	(210)
Repayment of lease liabilities		(1,235)	(261)
Net cash from financing activities		**35,702**	**16,101**
Net increase / (decrease) in cash and cash equivalents		(518)	(7,123)
Cash and cash equivalents at beginning of the financial year		4,255	11,378
Cash and cash equivalents at end of the financial year	**11**	**3,737**	**4,255**

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

Mighty Craft Limited and its controlled entities
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Notes to the consolidated financial statements
for the year ended 30 June 2022

1 General Information

(a) Reporting entity

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

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

26 Cato Street
Hawthorn East
Victoria 3123
Australia

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 consolidated financial statements.

(b) Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

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

(c) New or amended Accounting Standards and Interpretations adopted

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

(d) Parent entity information

In accordance with the *Corporations Act 2001* , these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 42.

(e) Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss from continuing operations of $17.0 million and had net cash outflows from operating activities of $10.9 million for the year ended 30 June 2022.

The directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:
- The Group has access to $6.3 million in undrawn debt facilities as at 30 June 2022;
- The Group has an available cash balance of $3.7 million and net current assets (current assets less current liabilities exclusive of assets and liabilities of disposal groups classified as held for sale) of $6.4 million; and
- The directors believe the Group would be able to access additional funds from existing shareholders and new investors to support working capital and execute its strategic growth initiatives should additional capital be required.

Mighty Craft Limited and its controlled entities
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Notes to the consolidated financial statements
for the year ended 30 June 2022

2 Critical accounting estimates, assumptions and judgements

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

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the 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 the specific notes, there does not 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 COVID-19 pandemic.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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

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

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

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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Notes to the consolidated financial statements
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2 Critical accounting estimates, assumptions and judgements (continued)

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

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by using either a Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions related to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to Note 50 for further information.

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

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

3 Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mighty Craft Limited ("the company" or "the parent entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. Mighty Craft Limited and its subsidiaries together are referred to in these financial statements as the "Group".

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

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

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

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

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Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

(b) Revenue recognition
The Group recognises revenue as follows:

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

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

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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

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

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

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

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

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

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

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

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

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.

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Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

(c) Income tax (continued)

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

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

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

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

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

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

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

(e) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the consolidated statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statement of financial position.

(f) Trade and other receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

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

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

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

Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the consolidated financial statements
for the year ended 30 June 2022

3 Significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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

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

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

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

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

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

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

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

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to the profit or loss as incurred.

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

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

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

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3 Significant accounting policies (continued)

(o) Intangible assets

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

Goodwill

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

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Intellectual property and trademarks

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

(p) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

(q) Trade and other payables

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

(r) Borrowings

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

(s) Refund liabilities

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

(t) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, the exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

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Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

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

(v) Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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

(x) Employee benefits
Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

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

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

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

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

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

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

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

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

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

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Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

(x) Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the consolidated financial statements
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3 Significant accounting policies (continued)

(ab) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

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

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

(ac) Foreign currency

Functional and presentation currency

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

Transaction and balances

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

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

(ad) Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars.

(ae) Fair value measurement

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

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

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

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

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for the year ended 30 June 2022

3 Significant accounting policies (continued)

(af) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Disclosure of consolidation in earnings per share

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

(ag) Operating segments

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

(ah) Discontinued operations

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

(ai) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, is that none will impact the Group.

4 Operating segments

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

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Notes to the consolidated financial statements

for the year ended 30 June 2022

5 Revenue

	30-Jun-22 $'000	30-Jun-21 $'000
From continuing operations		
Revenue from contracts with customers		
Sale of goods	59,703	19,123
Rendering of services	2,895	1,283
	62,598	**20,406**

Disaggregation of revenue

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

	30-Jun-22 $'000	30-Jun-21 $'000
Wholesale beverage sales	48,264	12,831
Retail food and beverage sales	11,439	6,292
Rendering of services	2,895	1,283
	62,598	**20,406**
Timing of revenue recognition		
Goods transferred at a point in time	59,703	19,123
Services transferred over time	2,895	1,283
	62,598	**20,406**

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

	30-Jun-22 $'000	30-Jun-21 $'000
Share of profits/(losses) of associates	(588)	(147)
	(588)	**(147)**

7 Other income

Job Keeper	-	1,109
Interest revenue calculated using the effective interest method	8	22
Other government grants	323	113
Gain on lease modification	4	241
Gain on disposal of fixed assets	997	-
Other income	178	56
	1,510	**1,541**

8 Expenses

	30-Jun-22 $'000	30-Jun-21 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Buildings	91	22
Leasehold improvements	42	118
Plant and equipment	940	299
Right-of-use assets - buildings	899	266
Right-of-use assets - plant and equipment	358	20
Intellectual property	97	81
Software development costs	272	30
Total depreciation and amortisation expenses	**2,699**	**836**
General and administration expenses		
Insurances	875	518
Loss on disposal of fixed assets	4	320
Other general and administrative expenses	2,023	834
Total general and administration expenses	**2,902**	**1,672**
Superannuation expense		
Defined contribution superannuation expense	1,730	914
Leases		
Short-term lease payments	14	48
	14	**48**
Finance costs		
Interest and finance charges paid/payable on borrowings	1,999	786
Interest and finance charges paid/payable on lease liabilities	263	193
Total finance costs	**2,262**	**979**

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Notes to the consolidated financial statements
for the year ended 30 June 2022

9 Income tax expense

	30-Jun-22 $'000	30-Jun-21 $'000
The components of income tax expense are :		
- Current tax	487	-
- Deferred tax - origination and reversal of temporary differences	-	-
Total income tax expense	**487**	**-**
Income tax expense is attributable to:		
Profit from continuing operations	487	-
Profit from discontinued operations	-	-
	487	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax from continuing operations	(16,517)	(13,929)
Loss before income tax from discontinued operations	(3,406)	(1,572)
	(19,923)	(15,501)
The prima facie tax on loss from ordinary activities before income tax at 30% (2021: 26%)	(5,977)	(4,030)
Tax effect of :		
- Share-based payments expense	359	67
- Impairment of goodwill	659	-
- Impairment of assets	236	-
- Loss on extinguishment of financial liability	369	-
- Other non-deductible expenses	38	29
- Non-assessable income - specific COVID-19 related government grants	-	(57)
- Temporary differences not recognised	245	119
- Deferred taxes on tax losses not recognised	4,558	3,872
Current income tax expense	**487**	**-**

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

	30-Jun-22 $'000	30-Jun-21 $'000
Unused tax losses	33,642	24,721
Deductible temporary differences	(583)	3,847
	33,059	**28,568**
Potential tax benefit at 30% (2021: 26%)	9,918	7,428

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

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

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10 Discontinued Operations

Description
On 28th April 2022, the Group announced to the ASX it's intention to pursue several non-core asset sales as part of a wider strategy to simplify it's business model and investment portfolio. The Group has identified both the Mighty Hunter Valley and Mighty Moonee Ponds sites as non-core businesses, and is currently pursuing the sale of both venues. The venues have been heavily impacted by COVID-19 restrictions over the past two years, and have been unable to generate revenues sufficient for venues of their size and location. In addition to the Mighty venues, the Group is in the process of identifying potential buyers for Foghorn Brewery in Newcastle. One of the first brands to join the Group's portfolio, in recent years the Group has found difficulties in scaling the brand nationally at the same pace as other beer businesses in the portfolio. Aligned with the wider simplification strategy, the directors have decided to dispose of Mighty Craft Limited's stake in Foghorn (75%).

Financial performance information

	30-Jun-22 $'000	30-Jun-21 $'000
Revenue	5,976	8,878
Other income	1,167	593
	7,143	**9,471**
Expenses		
Cost of sales	(2,081)	(3,348)
Employee benefits expense	(2,882)	(4,514)
Equipment hire and maintenance	(155)	(248)
Legal and professional fees	(52)	(64)
Selling and marketing expenses	(161)	(221)
Depreciation and amortisation expenses	(1,005)	(843)
Occupancy expenses	(429)	(641)
Travelling and conveyance	(19)	(27)
Impairment of Goodwill	(2,195)	-
Impairment of Assets	(787)	-
General and administration expenses	(412)	(540)
Finance costs	(371)	(597)
Loss before income tax expense	**(3,406)**	**(1,572)**
Income tax expense	-	-
Loss after income tax expense from discontinued operations	**(3,406)**	**(1,572)**

Cash flow information

	30-Jun-22 $'000	30-Jun-21 $'000
Net cash used in operating activities	220	(442)
Net cash used in investing activities	(25)	(2,710)
Net cash used in financing activities	(466)	3,293
Net increase / (decrease) in cash and cash equivalents from discontinued operations	**(271)**	**141**

11 Cash and cash equivalents

	30-Jun-22 $'000	30-Jun-21 $'000
Cash on hand	52	27
Cash at bank	3,685	4,228
	3,737	**4,255**

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

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12 Trade and other receivables

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Trade receivables	3,681	2,618
Less: Allowance for expected credit losses	(52)	(8)
	3,629	2,610
Other receivables	860	573
	4,489	**3,183**

Allowance for expected credit losses
The Group has recognised a loss of $118,000 (2021: $0) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit loss	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
Consolidated	%	%	$'000	$'000	$'000	$'000
Not overdue	-	-	2,506	79	-	-
0 to 3 months overdue	-	-	999	1,473	-	-
3 to 6 months overdue	6%	-	131	665	7	-
Over 6 months overdue	100%	2%	45	401	45	8
			3,681	**2,618**	**52**	**8**

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

	30-Jun-22 $'000	30-Jun-21 $'000
Opening balance	8	22
Provision utilised during the year	(74)	(14)
Additional provisions recognised	118	-
	52	**8**

13 Inventories

	30-Jun-22 $'000	30-Jun-21 $'000
Raw materials	1,010	259
Work in progress	1,455	316
Finished goods	8,537	5,284
Less: Provision for stock obsolescence	(53)	-
	10,949	**5,859**

Movements in the provision for stock obsolescence are as follows:

	30-Jun-22 $'000	30-Jun-21 $'000
Opening balance	-	-
Stock written off against provision	(30)	-
Additional provisions recognised	83	-
	53	**-**

14 Other current assets

	30-Jun-22 $'000	30-Jun-21 $'000
Prepayments	3,972	961
Right of return assets	683	-
	4,655	**961**

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15 Assets of disposal groups classified as held for sale

	30-Jun-22 $'000	30-Jun-21 $'000
Trade and other receivables	315	-
Inventories	241	-
Other current assets	115	-
Property, plant and equipment	2,867	-
Intangible assets	1,113	-
Right-of-use assets	5,259	-
Other non-current assets	276	-
	10,186	**-**

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

16 Non-current assets - Receivables

	30-Jun-22 $'000	30-Jun-21 $'000
Loans receivable from related parties	305	305
	305	**305**

Loan to director of subsidiary of $105,000 (2021: $105,000) is interest-free and is repayable no later than 28 February 2029.

Loan to associate of $200,000 (2021: $200,000) is interest-free, with the balance of the loan repayable no later than 5 October 2027.The impact of discounting of the loans is not material.

17 Investments accounted for under the equity method

	30-Jun-22 $'000	30-Jun-21 $'000
Non-current		
Investment in associates:		
Poison Creek Distillery Pty Ltd (Brogan's Way)	821	962
SauceCo (FNQLD) Pty Ltd	143	222
Sparkke Group Holdings Pty Ltd	1,537	1,905
	2,501	**3,089**

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

18 Financial assets at fair value through profit and loss

	30-Jun-22 $'000	30-Jun-21 $'000
Investment in Convertible Notes issued by Sparkke Group Holdings Pty Ltd	1,500	2,500
Investment in Convertible Notes issued by Ballistic Beer Company Pty Ltd	53	-
	1,553	**2,500**

During the financial year, the Group was issued a convertible note in Ballistic Beer Company Pty Ltd with a face value of $52,898. The note has a maturity date of 13 May 2024, and is automatically convertible into ordinary shares on completion of Ballistic Beer Company's next qualifying capital raise.

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

19 Financial assets at fair value through other comprehensive income

	30-Jun-22 $'000	30-Jun-21 $'000
Represents investments in ordinary shares of:		
SauceCo Pty Ltd	1,050	1,050
Ballistic Beer Company Pty Ltd	2,429	1,988
Something Wild Beverages Pty Ltd	59	59
Other	50	50
	3,588	**3,147**

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

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20 Property, plant and equipment

	30-Jun-22 $'000	30-Jun-21 $'000
Land and buildings		
At cost	3,604	2,762
Accumulated depreciation	(28)	(130)
	3,576	2,632
Leasehold improvements		
At cost	1,371	3,958
Accumulated depreciation	(176)	(179)
	1,195	3,779
Plant and equipment		
At cost	10,657	5,749
Accumulated depreciation	(2,156)	(1,149)
	8,501	4,600
Capital work-in-progress - at cost	18	1,511
	13,290	**12,522**

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 $'000	Leasehold improvements $'000	Plant and equipment $'000	Capital work-in-progress $'000	Total $'000
Balance at 1 July 2020	1,803	93	2,687	1,230	5,813
Additions	851	3,124	1,684	1,511	7,170
Additions through business combinations	-	254	460	-	714
Transfers	-	487	386	(873)	-
Disposals	-	-	(61)	(357)	(418)
Depreciation expense	(22)	(179)	(556)	-	(757)
Balance as at 30 June 2021	**2,632**	**3,779**	**4,600**	**1,511**	**12,522**
Additions	-	9	1,058	2,119	3,186
Additions through business combinations (Note 43)	-	-	3,411	-	3,411
Classified as held for sale (note 15)	-	(2,077)	(790)	-	(2,867)
Transfers	2,172	-	1,440	(3,612)	-
Disposals	(1,137)	-	(19)	-	(1,156)
Impairment expense	-	(430)	(64)	-	(494)
Depreciation expense	(91)	(86)	(1,135)	-	(1,312)
Balance at 30 June 2022	**3,576**	**1,195**	**8,501**	**18**	**13,290**

21 Right-of-use assets

	30-Jun-22 $'000	30-Jun-21 $'000
Land and buildings - right-of-use	9,522	14,751
Less: Accumulated depreciation on Buildings	(1,125)	(1,207)
	8,397	13,544
Plant and equipment - right-of-use	2,711	73
Less: Accumulated depreciation on Plant and equipment	(394)	(25)
	2,317	48
	10,714	**13,592**

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21 Right-of-use assets (continued)

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

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2020	11,119	51	11,170
Additions through business combinations	3,481	-	3,481
Additions	1,081	17	1,098
Disposals	(1,347)	-	(1,347)
Depreciation expense	(790)	(20)	(810)
Balance as at 30 June 2021	13,544	48	13,592
Additions through business combinations (Note 43)	2,737	-	2,737
Additions	2,294	2,627	4,921
Classified as held for sale (note 15)	(5,259)	-	(5,259)
Reductions due to lease modifications	(2,952)	-	(2,952)
Impairment expense	(293)	-	(293)
Depreciation expense	(1,674)	(358)	(2,032)
Balance as at 30 June 2022	8,397	2,317	10,714

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

22 Intangible assets

	30-Jun-22 $'000	30-Jun-21 $'000
Goodwill	38,779	6,841
Less: Impairment of Goodwill	(2,195)	-
	36,584	6,841
Intellectual Property and Trademarks	508	427
Less: Amortisation of Intellectual Property and Trademarks	(159)	(81)
	349	346
IT Development Costs	1,103	716
Less: Amortisation of IT Development Costs	(319)	(30)
	784	686
Brands	8,833	-
	46,550	**7,873**

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

	Goodwill $'000	Intellectual Property and Trademarks $'000	IT Development Costs $'000	Brands $'000	Total $'000
Balance at 1 July 2020	5,451	367	127	-	5,945
Additions through business combinations	1,390	-	-	-	1,390
Additions	-	60	589	-	649
Amortisation	-	(81)	(30)	-	(111)
Balance as at 30 June 2021	6,841	346	686	-	7,873
Additions through business combinations (Note 43)	33,049	4	-	8,833	41,886
Additions	-	96	370	-	466
Impairment of goodwill	(2,195)	-	-	-	(2,195)
Classified as held for sale (note 15)	(1,111)	-	-	-	(1,111)
Amortisation	-	(97)	(272)	-	(369)
Balance as at 30 June 2022	**36,584**	**349**	**784**	**8,833**	**46,550**

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22 Intangible assets (continued)

Impairment testing

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

	30-Jun-22	30-Jun-21
Jetty Road Brewery business ("JRB")	264	264
Mighty Craft Operations business ("MCO")	797	797
Kangaroo Island Distillery business ("KIS")	1,156	1,156
Slipstream Brewing Company business ("SBC")	993	993
Torquay Beverage Company business ("TBC")	328	328
The Hills Distillery business ("78D")	21,123	-
Mismatch Brewery business ("MMB")	3,888	-
Hills Cider business ("HCC")	4,406	-
Lot 100 Venue business ("L100")	3,629	-
Foghorn Brewery business ("FHB")*	-	966
Hunter Valley Brewery business ("HVB")*	-	1,526
Moonee Ponds Venue business ("MPV")*	-	811
	36,584	**6,841**

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

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

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

	Pre-tax discount rate	Revenue growth rate over forecast period	Increase in operating costs and overheads over the forecast period	Terminal growth rate
JRB	25.6%	10.0%	8.0%	2.5%
MCO	26.8%	15.0%	12.0%	2.5%
KIS	25.0%	10.0%	7.0%	2.5%
SBC	25.6%	5.0%	3.0%	2.5%
TBC	29.9%	12.0%	9.0%	2.5%
78D	25.0%	20.0%	16.0%	2.5%
MMB	25.6%	18.0%	13.5%	2.5%
HCC	25.6%	15.0%	8.0%	2.5%
L100	24.4%	7.0%	5.5%	2.5%

Discount rate

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

Revenue growth rate

Management believes the projected revenue growth rates are prudent and justified based on a growing craft market and the businesses strategic growth plans in future years, as well as certain expectations on the impact of reduced Covid-19 restrictions and lockdown measures on venue performance.

Increase in costs

Management believes the projected operating cost and overheads growth rates are prudent and justified based on the businesses operating model to achieve economies of scale as the business accelerates revenue growth, after considering certain inflationary pressures in the current economic environment.

Terminal Growth Rate

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

Results

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

Recoverable amount in excess of carrying amount:

	$'000
JRB	498
MCO	11,389
KIS	1,114
SBC	1,897
TBC	33,472
78D	5,021
MMB	540
HCC	443
L100	1,820

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22 Intangible assets (continued)

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

	% of reduction in revenue to result in an impairment, ceteris paribus	Increase in pre-tax discount rate to result in an impairment, ceteris paribus
JRB	0.50%	3.60%
MCO	0.70%	42.50%
KIS	1.10%	3.60%
SBC	3.20%	12.20%
TBC	3.90%	1350.90%
78D	1.80%	3.50%
MMB	0.40%	1.20%
HCC	0.50%	1.20%
L100	2.30%	9.90%

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

Disposal Groups classified as held for sale
As mentioned in Note 10, the Group has classified a number of cash-generating units as held for sale as at 30 June 2022. The disposal groups were remeasured at the lower of their carrying amount and their fair value less costs to sell. The remeasurement resulted in the following impairment write-downs:

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

	Surplus / (Shortfall) $'000	Allocated to Goodwill $'000	Allocated to Other Assets $'000
FHB	846	-	-
HVB	(1,384)	(1,384)	-
MVP	(1,598)	(811)	(787)
	(2,136)	**(2,195)**	**(787)**

23 Other non-current assets

	30-Jun-22 $'000	30-Jun-21 $'000
Security deposits	277	339
Funds held in reserve	499	-
Other	-	11
	776	**350**

24 Trade and other payables

	30-Jun-22 $'000	30-Jun-21 $'000
Trade payables	5,895	4,722
GST payable (net)	529	156
Accrued expenses and other payables	2,990	2,018
Employee related payables	2,235	2,374
	11,649	**9,270**

Refer to Note 35 for further information on financial instruments.

25 Borrowings

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Chattel mortgage	127	104
Other borrowings	107	40
	234	**144**
Non-current		
Financing facility (PURE Asset Management)	13,700	6,079
Chattel mortgage	190	154
Other borrowings	305	434
	14,195	**6,667**

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25 Borrowings (continued)

The break down of the financing facility is set out below:	30-Jun-22 $'000	30-Jun-21 $'000
Loan received	13,700	7,500
Fair value of warrants issued treated as arrangement fee*	-	(1,478)
Unwinding of interest on warrants issued	-	207
Transaction fee	-	(150)
	13,700	**6,079**

* Warrants issued to PURE Asset Management and co-investors as consideration for entering into the loan facility. The warrants have been fair valued using an option model.

Refer to Note 35 for further information on financial instruments.

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

	30-Jun-22 $'000	30-Jun-21 $'000
Total facilities		
Loans	20,412	12,553
	20,412	**12,553**
Used at the reporting date		
Loans	14,112	6,553
	14,112	**6,553**
Unused at the reporting date		
Loans	6,300	6,000
	6,300	**6,000**

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

	30-Jun-22 $'000	30-Jun-21 $'000
Loans	14,038	7,859
Chattel mortgage	317	258
	14,355	**8,117**

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

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

26 Employee benefits

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Provision for annual leave	1,053	985
Provision for long service leave	-	173
	1,053	**1,158**
Non-current		
Provision for long service leave	105	97
	105	**97**

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

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27 Lease liabilities

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Lease liability	1,115	406
	1,115	**406**
Non-current		
Lease liability	11,648	13,880
	11,648	**13,880**

Refer to Note 35 for further information on financial instruments.

28 Provisions

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Restructuring	670	-
Other	18	-
	688	**-**
Non-current		
Lease make good	69	-
	69	**-**

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

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

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

	Restructuring	Lease make good	Other	Total
	$'000	$'000	$'000	$'000
Balance as at 1 July 2021	-	-	-	-
Additions through business combinations (Note 43)	-	69	-	69
Additions	670	-	18	688
Balance as at 30 June 2022	**670**	**69**	**18**	**757**

29 Other Liabilities

	30-Jun-22 $'000	30-Jun-21 $'000
Current		
Deferred revenue	537	44
Return liabilities	1,568	-
Share capital received in advance	-	157
	2,105	**201**

30 Liabilities directly associated with assets classified as held for sale

	30-Jun-22 $'000	30-Jun-21 $'000
Trade and other payables	719	-
Employee entitlements	209	-
Lease liabilities	6,075	-
Other current liabilities	20	-
	7,023	**-**

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

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31 Equity - Issued capital

	30-Jun-22 Shares	30-Jun-21 Shares	30-Jun-22 $'000	30-Jun-21 $'000
Ordinary Shares - fully paid	327,883,086	152,238,834	104,062	48,942
Total issued capital			**104,062**	**48,942**

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	30-Jun-20	123,591,084		39,174
Issue of shares - Placement (First tranche)	15-Sep-20	13,465,721	0.35	4,713
Issue of shares under Share Purchase Plan	20-Oct-20	4,765,361	0.35	1,668
Issue of shares - Post AGM Allotment	13-Nov-20	8,000,002	0.35	2,800
Issue of shares under Employee Incentive Plans	17-Nov-20	166,666	0.37	62
Transaction costs on issue of capital				(375)
Conversion of performance shares	03-Feb-21	2,250,000	0.40	900
Balance	30-Jun-21	152,238,834		48,942
Issue of shares - Retail Entitlement Placement	19-Jul-21	24,828,705	0.32	7,945
Issue of shares - Institutional Entitlement Placement	19-Jul-21	30,530,871	0.32	9,770
Issue of shares - Institutional Placement	19-Jul-21	35,265,424	0.32	11,285
Issue of shares to vendors of Adelaide Hills Group	19-Jul-21	57,142,851	0.35	20,000
Issue of shares - Placement	04-Nov-21	20,000,000	0.29	5,800
Issue of shares to vendors of Lot 100 Pty Ltd	16-Nov-21	1,428,571	0.35	500
Issue of shares to vendors of Jetty Road Brewery Pty Ltd	17-Nov-21	1,317,142	0.35	461
Employee share scheme buy-back	08-Dec-21	(1,132,500)	-	-
Issue of shares to vendors of Jetty Road Brewery Pty Ltd	29-Dec-21	6,263,188	0.35	2,192
Transaction costs on issue of capital				(2,833)
Balance	30-Jun-22	**327,883,086**		**104,062**

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

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

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32 Equity - Retained earnings / (accumulated losses)

	30-Jun-22 $'000	30-Jun-21 $'000
(Accumulated losses) at the beginning of the financial year	(25,657)	(10,402)
(Loss) after income tax expense for the year	(20,644)	(15,001)
Transfer (to) / from reserves	413	-
Transfer (to) / from minority interests	(3,110)	(254)
(Accumulated losses) at the end of the financial year	(48,998)	(25,657)

33 Equity - Reserves

	30-Jun-22 $'000	30-Jun-21 $'000
Share-based payments reserve	2,973	2,004
Financial assets at fair value through other comprehensive income reserve	344	-
	3,317	2,004

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

34 Equity - Non-controlling interest

	30-Jun-22 $'000	30-Jun-21 $'000
Issued capital	(122)	2,049
Reserves	(215)	(215)
Retained Earnings / (Accumulated losses)	2,034	(1,310)
	1,697	524

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

35 Financial Instruments

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

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

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

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

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

The Group has bank and other financial institution loans outstanding as at 30 June 2022 of $14,037,512 (2021: $8,008,669). The loans are subject to interest-only payments, with fixed interest per annum, meaning there is no significant interest rate risk to the Group. The loan with Pure Asset Management is for a three year fixed-term, and is secured by warrants issued to the lender and co-investors, which may be exercised any time up to the week prior to maturity date.

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35 Financial Instruments (continued)

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

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

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

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

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

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

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
Consolidated - 2022						
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,110	-	-	-	6,110
Other payables	-	2,009	-	-	-	2,009
Interest-bearing - fixed rate						
Chattel mortgage liabilities	4.84%	133	142	64	-	339
Lease liability	5.75%	2,052	2,164	9,819	11,243	25,278
Loan facility - fixed rate	8.36%	123	38	13,796	368	14,325
Total non-derivatives		**10,427**	**2,344**	**23,679**	**11,611**	**48,061**
Derivatives						
Derivative financial liability		648	726	3,715	-	5,089
		648	**726**	**3,715**	**-**	**5,089**

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,722	-	-	-	4,722
Other payables	-	1,295	-	-	-	1,295
Interest-bearing - fixed rate						
Chattel mortgage liabilities	5.05%	113	69	94	-	276
Lease liability	6.07%	1,244	1,281	3,926	18,812	25,263
Loan facility - fixed rate	9.39%	40	153	7,614	388	8,195
Total non-derivatives		**7,414**	**1,503**	**11,634**	**19,200**	**39,751**

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

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

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36 Fair value measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

Consolidated - 30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Convertible notes at fair value through profit and loss	-	-	2,500	2,500
Ordinary shares at fair value through other comprehensive income	-	-	3,147	3,147
Total	**-**	**-**	**5,647**	**5,647**

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

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

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

Valuation techniques for fair value measurements categorised within Level 2 and Level 3
Unquoted investments and investments in convertible notes have first been valued with reference to recent equity transactions. In the absence of reliable and recent equity transactions, investments have been valued using a "market approach". Under this valuation technique, the Group has used market multiples derived from a set of comparable transactions, considering qualitative and quantitative factors specific to the measurement.

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

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

Consolidated	Derivative financial liabilities $	Convertible notes at fair value through P&L $	Ordinary shares at fair value through OCI $	Total $
Balance at 1 July 2020	-	4,000	2,751	6,751
Additions	-	-	450	450
Disposals	-	-	(54)	(54)
Convertible Notes converted into Equity	-	(1,500)	-	(1,500)
Balance at 30 June 2021	-	2,500	3,147	5,647
Gains recognised in other comprehensive income	-	53	344	397
Additions	2,755	-	97	2,852
Disposals	-	(1,000)	-	(1,000)
Balance at 30 June 2022	**2,755**	**1,553**	**3,588**	**7,896**

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Derivative financial liabilities	Wholesale revenue projections across a three year forecast period	N/A	5% change in forecast revenues would increase / decrease fair value by $135,000.
Ordinary shares at fair value through OCI	Revenue multiple of comparable early stage craft brewery businesses	1.1 times to 2.4 times (1.91 times)	0.5 times change in multiple would increase / decrease fair value by $200,000
Convertible notes at fair value through P&L	Future earnings projections across a base year forecast	2.5 times to 3.5 times (3 times)	0.5 times change in multiple would increase / decrease fair value by $250,000

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37 Key management personnel disclosures

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

	30-Jun-22 $	30-Jun-21 $
Short-term employee benefits	1,334,894	1,227,676
Post-employment benefits	99,034	101,384
Share-based payments	556,175	62,379
	1,990,103	**1,391,439**

38 Remuneration of auditors

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

	30-Jun-22 $	30-Jun-21 $
Audit services - RSM Australia		
Audit or review of financial statements	157,004	111,530
Other services - RSM Australia		
Tax compliance and related services	125,545	36,944
Corporate finance valuations & related services	4,000	-
	286,549	**148,474**

39 Contingent liabilities / assets

The Group has given bank guarantees as at 30 June 2022 of $354,805 (2021: $237,978) to various landlords.

Mighty Craft Limited has been approached by a competitor brand over claims one of its brands has made misleading representations in breach of the Competition and Consumer Act. The matter has been taken to trial in July 2022 in the Federal Court, and a reliable estimate of the recoverable costs cannot as yet be made.

Mighty Craft Limited is currently in discussions with the ATO about the eligibility for the excise rebate scheme for multiple entities. The Group has received notice letters from the ATO that a number of claims from prior financial years have been rejected. The Group has 60 days to appeal the ATO's decision and as at the date of this report, a reliable estimate of the outcome of the appeal cannot be made.

The Group has no contingent assets as at 30 June 2022 (2021: $nil).

40 Commitments

	30-Jun-22 $'000	30-Jun-21 $'000
Capital commitments		
The Group had the following capital commitments as at the reporting date:		
Property, plant and equipment	65	316
	65	316
Chattel mortgage commitments		
Committed at the reporting date and recognised as liabilities, payable		
Within one year	145	113
One to five years	191	163
Total commitment	336	276
Less: Future finance charges	(19)	(18)
Net commitment recognised as liabilities	317	258
Representing borrowings		
Current	127	104
Non-current	190	154
	317	258

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41 Related party transactions

Parent Entity
Mighty Craft Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 44.

Associates
Interests in associates are set out in Note 45.

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

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

	30-Jun-22 $	30-Jun-21 $
Product sales to associates	3,500	21,968
Product purchases from associates *	62,307	943,293
Reimbursement of costs charged to associates	-	23,073
Interest earned on loans to associates	-	6,458
Commissions charged to associates	23,046	48,376
Professional fees paid to director-related entities **	140,258	609,318

* Purchases with associates are disclosed for the period in which the business was an associate during the financial year.

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

	30-Jun-22 $	30-Jun-21 $
Trade receivable from associates	20,778	58,095
Trade payable to associates	53,278	116,528
Trade payable to director-related entities **	-	60,564
Loan to director of subsidiary	105,000	105,000
Loan from director of subsidiary	85,000	-
Loan to associate	200,000	200,000

** Refer to the Remuneration Report for details on transactions with key management personnel and their related parties.

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

Loan from director of subsidiary is interest-free and is repayable no later than 30 June 2023.

Loan to associate is to SauceCo (FNQLD) Pty Ltd. The loan is interest free, and the balance of the loan is repayable no later than 5 October 2027.

42 Parent entity information

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

	30-Jun-22 $'000	30-Jun-21 $'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(12,327)	(3,754)
Total comprehensive income / (loss)	(12,327)	(3,754)
Statement of financial position		
Total current assets	3,758	566
Total assets	56,541	50,884
Total current liabilities	1,136	819
Total liabilities	18,591	6,093
Equity		
Issued capital	104,062	48,935
Accumulated losses	(69,429)	(6,148)
Reserves	3,317	2,004
Total Equity	37,950	44,791

Contingent liabilities / assets
The parent entity has no contingent liabilities or assets as at 30 June 2022 and 30 June 2021.

Capital commitments
The parent entity had no capital commitments for expenditure as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 3, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in The parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

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43 Business combinations

Adelaide Hills Group Acquisition
In July 2021, Mighty Craft Limited acquired four entities based in the Adelaide Hills of South Australia (referred to here as the Adelaide Hills Group, or AHG). The acquired entities include Mismatch Brewing Company Pty Ltd (100%), MK Wine Solutions Pty Ltd (100%), The Hills Distillery Pty Ltd (100%) and Lot 100 Pty Ltd (75% initial investment, subsequently consolidated to 100% in November 2021). The effective acquisition date is 19 July 2021.

This is a strategic and transformative acquisition, which will drive a significant increase in capacity and scale of production, as well as securing several well established and respected brands which are already trading profitably.

The goodwill of $33.05 million is final as at 30 June 2022 and represents the expected growth arising from the acquisition, including increased capacity to significantly increase scale of production across the Group.

The acquired businesses contributed revenues of $18.1 million and profit before tax of $2.4 million to the Group for the financial year.

Details of acquisition are as follows:

	Mismatch Brewing Company Pty Ltd	The Hills Distillery Pty Ltd	MK Wine Solutions Pty Ltd	Lot 100 Pty Ltd	Total Group
	Fair value $'000	Fair value $'000	Fair value $'000	Fair value $'000	Fair value $'000
Net Working Capital	541	1,644	1,347	(272)	3,260
Property, plant and equipment	1,969	663	282	497	3,411
Right-of-use assets	675	656	19	1,387	2,737
Intangible Assets	2,713	4,568	1,552	4	8,837
Lease liabilities	(659)	(640)	(19)	(1,356)	(2,674)
Net Debt	(39)	(44)	(322)	-	(405)
Net identifiable assets and liabilities	**5,200**	**6,847**	**2,859**	**260**	**15,166**
Non-controlling interest					(872)
Net Debt acquired					(405)
Goodwill					33,049
Acquisition-date fair value of the total consideration transferred					46,938
Representing:					
Cash					26,938
Ordinary Shares					20,000
					46,938
Acquisition costs expensed to profit and loss					793
Cash used to acquire business, net of cash acquired:					
Acquisition-date fair value of the total consideration transferred					46,938
Less: Non-cash consideration					(20,000)
Less: Cash and cash equivalents acquired, net of debt acquired					(1,054)
Net cash used / (acquired)					25,884

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44 Interest in subsidiaries

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

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-22 %	Ownership interest 30-Jun-21 %
Mighty Craft Nominees Pty Ltd	Australia	100%	100%
Mighty Craft People & Services Pty Ltd	Australia	100%	100%
Mighty Craft Investments Pty Ltd	Australia	100%	100%
Mighty Craft Beer Pty Ltd	Australia	100%	100%
Founders First Foghorn Brewery Pty Ltd*	Australia	-	100%
Founders First Ballistic Pty Ltd*	Australia	-	100%
Founders First Brogans Way Pty Ltd	Australia	100%	100%
Mighty Craft Spirits Plus Pty Ltd	Australia	100%	100%
Mighty Hunter Valley Pty Ltd	Australia	100%	100%
Founders First K.Booch Pty Ltd*	Australia	-	100%
Craft Hub Pty Ltd	Australia	100%	100%
Founders Momentum Victoria Pty Ltd	Australia	100%	100%
Mighty Moonee Ponds Pty Ltd	Australia	100%	100%
Founders First SWB Pty Ltd*	Australia	-	100%
Founders First SauceCo Pty Ltd	Australia	100%	100%
Founders First Slipstream Pty Ltd*	Australia	-	100%
Founders First Sparkke Pty Ltd**	Australia	-	100%
Mighty Craft Venues Pty Ltd	Australia	100%	100%
Mighty Craft Export Pty Ltd	Australia	100%	100%
Mighty Craft Operations Pty Ltd	Australia	100%	100%
Kangaroo Island Distillery Pty Ltd	Australia	100%	100%
Jetty Road Brewery Pty Ltd	Australia	100%	67.5%
Lot 100 Pty Ltd	Australia	100%	-
The Hills Distillery Pty Ltd	Australia	100%	-
Mismatch Brewing Company Pty Ltd	Australia	100%	-
MK Wine Solutions Pty Ltd	Australia	100%	-
Hills Cider Company Pty Ltd	Australia	100%	-

** was deregistered during the year ended 30 June 2022*
*** was repurposed and shareholding was transferred during the year ending 30 June 2022*

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

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-22 %	Ownership interest 30-Jun-21 %
Foghorn Brewery Pty Ltd	Australia	75.0%	75.0%
JR South Melbourne Pty Ltd *	Australia	-	67.5%
Seven Seasons Pty Ltd	Australia	65.0%	65.0%
Slipstream Brewing Company Pty Ltd	Australia	45.0%	45.0%
Torquay Beverage Company Pty Ltd	Australia	61.0%	50.0%
Hidden Lake Pty Ltd	Australia	60.0%	100.0%
Better Beer Company Pty Ltd**	Australia	58.0%	-

** was deregistered during the year ended 30 June 2022*
*** consolidated through interests in Torquay Beverage Company*

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44 Interest in subsidiaries (continued)

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

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

30 June 2021 ($'000)	Jetty Road Brewery Pty Ltd	Foghorn Brewery Pty Ltd	JR South Melbourne Pty Ltd	Seven Seasons Pty Ltd	Slipstream Brewing Company Pty Ltd	Torquay Beverage Company Pty Ltd
Summarised statement of financial position						
Current assets	1,437	674	-	2,007	707	692
Non-current assets	3,453	3,301	-	329	5,527	138
Total assets	4,890	3,975	-	2,336	6,234	830
Current liabilities	943	611	-	547	426	502
Non-current liabilities	2,225	2,857	-	431	4,833	918
Total liabilities	3,168	3,468	-	978	5,259	1,420
Net assets	**1,722**	**507**	**-**	**1,358**	**975**	**(590)**
Summarised statement of profit or loss and other comprehensive income						
Revenue & other income	6,493	3,548	1,227	2,162	3,010	1,711
Expenses	7,484	3,646	710	1,152	3,090	2,019
Profit / (Loss) before income tax expense	(991)	(98)	517	1,010	(80)	(308)
Income tax expense	-	-	-	-	-	-
Profit / (Loss) after income tax expense	(991)	(98)	517	1,010	(80)	(308)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**(991)**	**(98)**	**517**	**1,010**	**(80)**	**(308)**
Other financial information						
Loss attributable to non-controlling interests	(423)	(31)	168	46	(106)	(154)
Accumulated non-controlling interests at the end of reporting period	(66)	126	66	243	451	(295)

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45 Interests in associates

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

Name	Principal place of business/ Country of incorporation	Ownership interest 30-Jun-22 %	Ownership interest 30-Jun-21 %
Poison Creek Distillery Pty Ltd (Brogan's Way)	Australia	45.0%	45.0%
SauceCo (FNQLD) Pty Ltd	Australia	25.0%	25.0%
Sparkke Group Holdings Pty Ltd (Sparkke)	Australia	32.0%	32.0%

Summarised financial information

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

As disclosed in Note 18, Mighty Craft Limited holds convertible notes at fair value of $1.5 million in Sparkke Group Holdings Pty Ltd (Sparkke), which are secured by the Whitmore venue in South Australia. Subsequent to the financial year end, shareholders of Sparkke have approved the sale of the Whitmore venue. In the event the venue is not sold prior to 9 December 2022, the shareholders of Sparkke have approved the assignment of the Whitmore venue to Mighty Craft Limited in exchange for the cancellation of the Convertible Note Deed.

The Directors acknowledge the trading performance of Sparkke & the Whitmore venue has been poor, impacted by broader Covid-19 measures throughout the Adelaide CBD region, and the performance of the venue & business continue to be an area of focus & monitoring by the board.

Refer to Note 49 for more information on the extension of the Convertible Note Deed.

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45 Interests in associates (continued)

Summarised financial information

	Sparkke	Brogan's Way	SauceCo (FNQLD) Pty Ltd
	30-Jun-21 $'000	30-Jun-21 $'000	30-Jun-21 $'000
Summarised statement of financial position			
Current assets	1,643	907	232
Non-current assets	2,792	812	1,450
Total assets	4,435	1,719	1,682
Current liabilities	957	93	203
Non-current liabilities	2,630	355	950
Total liabilities	3,587	448	1,153
Net assets	**848**	**1,271**	**529**
Summarised statement of profit or loss and other comprehensive income			
Income	4,238	1,671	1,001
Expenses	(4,957)	(1,315)	(1,235)
Profit / (loss) before income tax	(719)	356	(234)
Income tax expense	-	-	-
Profit / (loss) after income tax	(719)	356	(234)
Other comprehensive income	-	-	-
Total comprehensive income	**(719)**	**356**	**(234)**
Reconciliation of the Group's carrying amount			
Opening carrying amount	2,000	901	281
Share of profit / (loss) after income tax	(95)	61	(59)
Closing carrying amount	1,905	962	222
Total			**3,089**
Contingent liabilities	-	-	-

46 Earnings per share

	30-Jun-22 $'000	30-Jun-21 $'000
Earnings per share from continuing operations		
Loss after income taxes	(17,004)	(13,929)
Non-controlling interest	(339)	410
Loss after income tax attributable to the owners of Mighty Craft Limited	**(17,343)**	**(13,519)**
Weighted average number of ordinary shares		
	Number	**Number**
Weighted average number of ordinary shares used for calculating both basic and diluted earnings per share	309,559,447	143,625,775
	Cents	**Cents**
Earnings per share - basic and diluted	(5.60)	(9.41)

	30-Jun-22 $'000	30-Jun-21 $'000
Earnings per share from discontinued operations		
Loss after income taxes	(3,406)	(1,572)
Non-controlling interest	105	90
Loss after income tax attributable to the owners of Mighty Craft Limited	**(3,301)**	**(1,482)**
Earnings per share - basic and diluted	(1.07)	(1.03)

	30-Jun-22 $'000	30-Jun-21 $'000
Earnings per share		
Loss after income taxes	(20,410)	(15,501)
Non-controlling interest	(234)	500
Loss after income tax attributable to the owners of Mighty Craft Limited	**(20,644)**	**(15,001)**
Earnings per share - basic and diluted	(6.67)	(10.44)

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

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

	30-Jun-22 $'000	30-Jun-21 $'000
Loss after income tax expense for the year	(20,410)	(15,501)
Adjustments for:		
Depreciation and amortisation expense	3,704	1,679
Share of (profits)/losses of associates	588	147
Impairment of assets	2,982	-
Allowance for expected credit loss	44	-
Bad debts written off	-	6
Share-based payments expense	1,197	256
Unwinding of interest on warrants issued	418	100
Gain on lease modification	(321)	(241)
Loss on disposal of fixed assets	-	334
Gain on disposal of shares	-	(8)
Loss on extinguishment of financial liability	1,230	-
Gain on disposal of fixed assets	(812)	-
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	146	(1,622)
Decrease/(increase) in inventories	(981)	(4,626)
Decrease/(increase) in other assets	(1,108)	(562)
Increase/(decrease) in trade and other payables	(297)	5,213
Increase/(decrease) in employee benefits	(201)	523
Increase/(decrease) in other liabilities	1,965	
Increase/(decrease) in provisions	686	-
Increase/(decrease) in provision for income tax	259	(30)
Net cash from / (used in) operating activities	**(10,911)**	**(14,332)**

48 Changes in liabilities arising from financing activities

Consolidated	Business loan $'000	Chattel mortgage $'000	Lease liability $'000	Total $'000
Balance at 30 June 2020	-	129	11,537	11,666
Liabilities arising from business combinations	561	179	3,501	4,241
Net cash from / (used in) financing activities	7,370	(51)	(261)	7,058
Fair value of warrants treated as arrangement fee	(1,479)	-	-	(1,479)
Unwinding of interest on warrants issued	100	-	-	100
Reduction to lease liabilities through lease modifications	-	-	(491)	(491)
Balance at 30 June 2021	6,552	257	14,286	21,095
Liabilities arising from business combinations (note 43)	-	405	2,675	3,080
Net cash from / (used in) financing activities	5,712	(85)	(1,235)	4,392
Unwinding of interest on warrants issued	418	-	-	418
Transaction costs capitalised onto the loan balance	200	-	-	200
Loss on extinguishment of financial liability	1,230	-	-	1,230
Reduction to lease liabilities through lease modifications	-	-	(2,963)	(2,963)
Balance at 30 June 2022	**14,112**	**577**	**12,763**	**27,452**

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49 Events after the reporting period

Post 30 June 2022, the following significant events occurred:

a) On 7 July 2022, Mighty Craft Limited renegotiated it's existing Convertible Note Deed with Sparkke Group Holdings, extending the term of the Deed until 9 December 2022. The terms of the convertible notes otherwise remain unchanged.

b) On 14 July 2022, Mighty Craft Limited renegotiated its existing Convertible Note Deed with Slipstream Brewing Co Pty Ltd and option to purchase shares in Slipstream, extending the term of both. The terms otherwise remain unchanged.

c) On 7 July 2022, Mighty Craft Limited entered into a binding term sheet with DB Breweries Limited (DB Breweries) to distribute the Better Beer product into New Zealand.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, having had an impact on forced closure of venues up to 30 June 2022. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to evolve and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Likely restrictions on maximum capacities at the Group's venues will impact sales performance.

Apart from the above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

50 Share-based payments

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

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

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

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

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

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

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

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

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

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

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

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

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50 Share-based payments (continued)

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

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

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

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

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

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

2022

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited / Expired / Other	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
23/09/2019	23/09/2022	16/10/2022	$0.40	120,000	-	120,000	-	-	-
12/11/2019	12/11/2021	01/01/2022	$0.50	800,000	-	800,000	-	-	-
11/02/2020	11/02/2021	11/02/2031	$0.50	700,000	-	700,000	-	-	-
11/02/2020	11/02/2021	11/02/2031	$0.50	20,000	-	20,000	-	-	-
20/02/2020	20/02/2021	20/02/2031	$0.50	100,000	-	100,000	-	-	-
20/07/2020	20/07/2022	20/08/2022	$0.28	75,000	-	75,000	-	-	-
30/11/2020	30/11/2022	31/12/2022	$0.37	150,000	-	150,000	-	-	-
20/07/2020	20/07/2022	20/08/2022	$0.27	100,000	-	100,000	-	-	-
12/07/2021	30/06/2022	12/07/2036	$0.00	-	773,333	-	773,333	-	773,333
12/07/2021	30/06/2022	12/07/2036	$0.00	-	515,556	-	515,556	515,556	-
12/07/2021	30/06/2023	12/07/2036	$0.00	-	1,200,000	-	1,200,000	-	1,200,000
12/07/2021	30/06/2023	12/07/2036	$0.00	-	800,000	-	800,000	-	800,000
07/10/2021	30/06/2022	07/10/2036	$0.00	-	485,421	-	485,421	485,421	-
22/02/2022	30/06/2023	22/02/2037	$0.00	-	1,065,472	-	1,065,472	-	1,065,472
22/02/2022	30/06/2023	22/02/2037	$0.00	-	710,318	-	710,318	-	710,318
22/02/2022	30/06/2022	22/02/2037	$0.00	-	2,196,430	14,286	2,182,144	2,182,144	-
22/02/2022	30/06/2023	22/02/2037	$0.00	-	928,571	-	928,571	-	928,571
22/02/2022	30/06/2024	22/02/2037	$0.00	-	2,448,276	-	2,448,276	-	2,448,276
22/02/2022	16/08/2023	22/02/2037	$0.00	-	285,000	285,000	-	-	-
22/02/2022	18/10/2024	22/02/2037	$0.00	-	100,000	-	100,000	-	100,000
22/02/2022	03/11/2024	22/02/2037	$0.00	-	100,000	-	100,000	-	100,000
				2,065,000	**11,608,377**	**2,364,286**	**11,309,091**	**3,183,121**	**8,125,970**
Weighted average exercise price				-	-	-	-		

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50 Share-based payments (continued)

2021

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year	Vested and exercisable at the end of the year	Not exercisable at the end of the year
23/09/2019	23/09/2022	16/10/2022	$0.40	120,000	-	-	120,000	-	120,000
12/11/2019	12/11/2021	01/01/2022	$0.50	800,000	-	-	800,000	-	800,000
11/02/2020	11/02/2021	11/02/2031	$0.50	700,000	-	-	700,000	700,000	-
11/02/2020	11/02/2021	11/02/2031	$0.50	20,000	-	-	20,000	20,000	-
20/02/2020	20/02/2021	20/02/2031	$0.50	100,000	-	-	100,000	100,000	-
20/07/2020	20/07/2022	20/08/2022	$0.28	-	75,000	-	75,000	-	75,000
30/11/2020	30/11/2022	31/12/2022	$0.37	-	150,000	-	150,000	-	150,000
20/07/2020	20/07/2022	20/08/2022	$0.27	-	100,000	-	100,000	-	100,000
				1,740,000	325,000	-	2,065,000	820,000	1,245,000
Weighted average exercise price				-	$0.32	-	$0.47		

The weighted average share price during the financial year was $0.29 (2021: $0.34).

The weighted average remaining contractual life of employee performance rights outstanding at the end of the financial year was 14 years and 6 months (2021: 4 years and 6 months).

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

2022

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

2021

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
20/07/2020	20/08/2022	$0.29	$0.28	70%	0.00%	0.89%	$0.16	75,000
30/11/2020	31/12/2022	$0.40	$0.37	70%	0.00%	0.90%	$0.23	150,000
20/07/2020	20/08/2022	$0.29	$0.27	70%	0.00%	0.89%	$0.16	100,000
								325,000

Mighty Craft Limited and its controlled entities
ACN 622 810 897

Notes to the consolidated financial statements
for the year ended 30 June 2022

50 Share-based payments (continued)

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

2022

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year	Vested and exercisable at the end of the year	Not Exercisable at the end of the year
03/11/2019	30/11/2022	-	500,000	-	-	500,000	-	500,000
			500,000	**-**	**-**	**500,000**	**-**	**500,000**

1) Momentum Food & Wine
The company issued 500,000 performance rights to the vendor as part of the consideration for the acquisition of 100% of the shares in Founders Momentum International Pty Ltd (subsequently renamed Mighty Craft Export Pty Ltd). The terms of the performance rights to be issued to the vendor are as follows:

(a) the Mighty Craft Export Performance Rights will only vest and become eligible to be converted into Shares upon Mighty Craft Export achieving an average EBIT of $400,000 per year over FY21 and FY22 (Vesting Criteria);
(b) if the Vesting Criteria is achieved, for nil consideration, all Mighty Craft Export Performance Rights will, in aggregate, convert into that number of Shares calculated as follows:
(i) 250,000 Shares; plus
(ii) for every $0.10 that the Share Price exceeds $1.00, the vendor will receive an additional 50,000 Shares, capped at a maximum of 500,000 Shares. "Share Price" means the volume weighted average price of Shares over the 30 days on which trades in Shares were recorded on the ASX immediately preceding 30 June 2022.
(c) following the satisfaction of the Vesting Criteria and by the date being no later than three months after the release of Mighty Craft Limited's unaudited or audited financial results for the full year ending 30 June 2022 (Performance Right Expiry Date), the vendor may serve a notice on the Company (Conversion Notice) to exercise its right to convert the Mighty Craft Export Performance Rights into Shares;
(d) all unvested Mighty Craft Export Performance Rights will automatically lapse on the date of the release of Mighty Craft Limited's audited financial results for the full year ending 30 June 2022;
(e) all vested Mighty Craft Export Performance Rights will automatically lapse on expiry of the Performance Right Expiry Date;
(f) the Mighty Craft Export Performance Rights will not be quoted on the ASX and will not otherwise be transferable;

The weighted average remaining contractual life of vendor performance rights outstanding at the end of the financial year was 5 months (2021: 1 year and 5 months).

No vendor performance rights were granted during the current and previous financial year.

Warrants
In consideration of the grant of the re-financed loan facility with Pure Asset Management, the Group issued 5,000,000 warrants over ordinary shares during the financial year ended 30 June 2022.

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

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Performance Rights Granted
30/06/2022	23/06/2025	$0.17	$0.35	62%	0.00%	3.16%	$0.04	5,000,000
								5,000,000

Mighty Craft Limited and its controlled entities
ACN 622 810 897
30 June 2022

Directors' Declaration

In the directors' opinion:

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

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

(c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001.*

On behalf of the directors

Robin Levison
Chairman

Melbourne, Victoria
31 August 2022

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of Mighty Craft Limited

Opinion

We have audited the financial report of Mighty Craft Limited ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Revenue Recognition Refer to Note 5 in the financial statements	
The Group's revenue from continuing operations for the year ended 30 June 2022 was $62.60 million. The primary revenue streams are: • Wholesale beverage sales; • Retail food and beverages sales; and • Rendering of services. Whilst revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies were in compliance with the requirements of AASB 15 *Revenues from Contracts with Customers;* • Evaluating and testing the operating effectiveness of key controls related to revenue recognition; • Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the correct period; and • Conducting a combination of tests of controls, substantive analytical procedures and tests of details in respect of revenue transactions for the year.
Accounting for Business Combinations Refer to Note 43 in the financial statements	
The Group completed the acquisition of four entities based in the Adelaide Hills of South Australia (referred to as the Adelaide Hills Group) during the current financial year. Management has determined this acquisition to be a business combination under AASB 3 *Business Combinations*. The acquisition was considered a Key Audit Matter as the accounting for the transactions is complex and involves significant judgements in applying the accounting standards. This includes the recognition and valuation of consideration paid and payable, the determination of the fair value of the tangible assets acquired and liabilities assumed, and the identification and valuation of intangible assets and the resultant goodwill.	Our audit procedures included, among others: • Obtaining the securities purchase agreements and other associated documents to understand the key terms and conditions, and ensuring that the transactions had been accounted for in accordance with AASB 3; • Testing the cash consideration paid to bank statements and assessing the valuation of share-based consideration paid; • Reviewing the accuracy and completeness of the fair values of assets acquired and liabilities assumed; • Reviewing the work performed by management's expert on the valuation of identifiable intangible assets for their reasonableness, including engaging our internal valuation specialists to challenge the key assumptions and methodology used in the valuation and the allocation of resultant goodwill to the CGUs; and • Reviewing the adequacy and completeness of the relevant disclosures in the financial report in compliance with the requirements of AASB 3.

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Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of Goodwill
Refer to Note 22 in the financial statements</td></tr>
<tr><td>The Group had goodwill with a carrying amount of $36.58 million at 30 June 2022 relating to its acquisitions in the current and previous financial years.

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

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

Management has performed the goodwill impairment assessment by:
• Calculating the VIU for each identified CGU using a discounted cash flow model. These models used cash flow projections for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flow projections were then discounted to net present value using the CGU's weighted average cost of capital ("WACC"); and
• Comparing the resulting recoverable amount of the CGU to the CGU's carrying amount.

Management also performed a sensitivity analysis over the VIU calculations, by varying the assumptions used (growth rates, revenue multiples, terminal growth rate and WACC) to assess the impact on the valuations.

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

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Businesses held for sale and discontinued operations Refer to Note 10, 15 and 30 in the financial statements	
As part of the Group's strategy to rationalise its investment portfolio, the Group has determined Mighty Hunter Valley, Mighty Moonee Ponds and Foghorn Brewery as businesses which are held for sale. Consequently, the results of these businesses have been disclosed as discontinued operations. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires specific recognition, measurement and disclosure requirements relating to assets, liabilities, revenues, expenses, and cash flows of discontinued operations. We determined this to be a Key Audit Matter as these transactions involve management estimates and judgements in identification of account balances, revenue and expenses relating to the discontinued operations and related note disclosures in the financial statements.	Our audit procedures in relation to accounting and disclosure of Discontinued Operations and assets and liabilities relating to businesses held for sale included: • Reviewing management's assessment of classification and valuation of assets and liabilities relating to businesses held for sale and discontinued operations against internal and external sources of information; • Reviewing calculations to ensure assets, liabilities, revenues and expenses relating to the discontinued operations and businesses held for sale are accurately identified and reported; • Assessing management's determination of the impairment of goodwill and other assets relating to the discontinued operations and businesses held-for-sale; and • Assessing accounting policy and note disclosures to ensure that they are in accordance with the requirements of AASB 5.
Accounting for renegotiation of debt facility Refer to Note 25 and 36 in the financial statements	
During the financial year, the Group refinanced its loan facility with Pure Asset Management (PAM), bringing the total facility limit to $20 million. Management has assessed the new loan facility to be a substantial modification to the previous facility as the new facility has additional terms and conditions, including detached warrants and a derivative liability. We determined this to be a Key Audit Matter due to the materiality of the loan balance and the fact that the accounting for this transaction is inherently complex and involves significant management judgements and estimates in applying the requirements of accounting standards.	Our audit procedures included: • Obtaining and reviewing the term sheets, facility agreements, warrant deeds and other relevant supporting documents to understand the terms and conditions of the renegotiated debt facility; • Obtaining and reviewing management's assessment of the accounting treatment of the refinance for reasonableness, including determining if the refinance constituted a substantial modification in accordance with the requirements of AASB 9 *Financial Instruments*; • Reviewing the inputs used by management in the valuation of the derivative liability and the warrants issued and performing sensitivity analysis over key assumptions; and • Reviewing disclosures in the financial report to determine their adequacy and completeness.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Mighty Craft Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 31 August 2022
Melbourne, Victoria

Mighty Craft Limited and its controlled entities
ACN 622 810 897

Shareholder Information as at 15 August 2022

(a) The distribution of shareholding was as follows:

	Ordinary Shares	
Size of Shareholding	**Shareholders**	**% of total shares issued**
1 - 1000	29	0.00%
1001 - 5000	807	0.71%
5001 - 10,000	364	0.87%
10,001 - 100,000	717	7.93%
100,001 and over	295	90.48%

(b) 386 shareholders hold less than a marketable parcel of shares, being a market value of less than $500.

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

Shareholder	**Number**	**% Held**
CITICORP NOMINEES PTY LIMITED	26,208,207	7.99%
CHRISTOPHER HASTINGS MALCOLM	20,760,718	6.33%
STEVEN CHRISTOPHER DORMAN <DORMAN FAMILY A/C>	17,285,712	5.27%
MR TOBIAS LEE KLINE <KLINE FAMILY A/C>	17,285,712	5.27%

(d) The fully paid issued capital of the Company consisted of 327,883,086 shares held by 2,598 shareholders. Each share entitles the holder to one vote.

(e) Unquoted Equity Securities

Plan	**Number on Issue**	**Number of Holders**
SERVICE RIGHTS VEST 30/06/24	2,733,274	7
SERVICE RIGHTS VEST 11/03/2024	100,000	1
SERVICE RIGHTS VEST 18/10/2024	100,000	1
PERFORMANCE RIGHTS ESCROWED	500,000	1
PERF RIGHTS-FY20 LTIP	1,774,310	4
PERF RIGHTS FY21 LTIP	3,775,790	11
PERF RIGHTS FY22 LTIP	118,966	1
SERVICE RIGHTS VEST 30/06/22	2,196,430	9
SERVICE RIGHTS VEST 30/06/23	928,571	4
WARRANTS EXP 4/9/2024 @$0.60	15,000,000	1
WARRANTS EXP 30/09/2024 @$0.35	2,310,000	9
WARRANTS EXP 20/07/2025 @ $VAR	5,000,000	14

Mighty Craft Limited and its controlled entities
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Shareholder Information as at 15 August 2022 (continued)

(f) Twenty largest shareholders

Shareholder	Number	% Held
CITICORP NOMINEES PTY LIMITED	26,208,207	7.99%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,769,978	7.86%
STEVEN CHRISTOPHER DORMAN <DORMAN FAMILY A/C>	17,285,712	5.27%
MR TOBIAS LEE KLINE <KLINE FAMILY A/C>	17,285,712	5.27%
MALCOLM MANOR PTY LTD <CHRISTOPHER MALCOLM FAM A/C>	10,036,526	3.06%
SACHA LA FORGIA <LA FORGIA FAMILY A/C>	8,571,427	2.61%
DISCOVERY INVESTMENTS PTY LTD <RASCOL FAMILY A/C>	8,103,874	2.47%
MUTUAL TRUST PTY LTD	7,936,500	2.42%
NEVERN SQUARE PTY LTD <THE AP A/C>	7,077,730	2.16%
SEPPELTSFIELD PTY LTD <SEPPELTSFIELD ESTATE A/C>	6,910,000	2.11%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,136,622	1.87%
MR DOMINIC VIRGARA	5,800,000	1.77%
MALCOLM PROPERTY PTY LTD <MALCOLM PROPERTY A/C>	5,474,028	1.67%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	5,380,984	1.64%
DANIEL JAMES WALES + JAKLINA WALES <THE JALUKA FAMILY A/C>	5,300,000	1.62%
CH MALCOLM SUPER FUND PTY LTD <THE MALCOLM SUPER FUND A/C>	5,172,414	1.58%
BTW HOLDINGS PTY LTD	4,513,250	1.38%
IGNITION CAPITAL PTY LTD <IGNITION SUPER FUND A/C>	3,877,524	1.18%
SEACHANGE AUSTRALIA ENTERPRISES PTY LTD <FF INVESTMENT A/C>	3,780,938	1.15%
SEYMOUR-NEWTON PTY LTD	3,386,731	1.03%

The twenty members holding the largest number of shares together held a total of 56.11% of the issued capital.

(g) Restricted Shares

Share Class	Number
ESCROWED SHARES TO AUG 2022	28,571,426
ESCROWED SHARES TO 19/07/2023	28,571,425
SHARES ESCROWED TO 17/11/2022	577,142
SHARES ESCROWED TO 05/07/2022	577,143
SHARES ESCROWED TO 17/05/2022	81,429
SHARES ESCROWED TO 17/11/2022	81,428
SHARES ESCROWED TO 29/12/2022	3,131,589

There are no other restricted shares on issue.

Mighty Craft Limited and its controlled entities
ACN 622 810 897

Corporate Directory

Mighty Craft Limited	ABN: 13 622 810 897 and subsidiaries	
Directors	Robin Levison	Non-Executive Chairman
	Mark Haysman	Chief Executive Officer & Managing Director
	Stuart Morton	Executive Director
	Daniel Wales	Executive Director
	John Hood	Non-Executive Director
	Sean Ebert	Non-Executive Director
Company secretary	Andrew Syme	
Principal Registered Office	26 Cato Street Hawthorn East VIC 3123 Telephone: +61 3 9811 9974 (within Australia) Web: www.mightycraft.com.au	
Share registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505 Web: www.computershare.com.au E-mail: webqueries@computershare.com.au	
Auditors	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000	
Legal Advisors	Coghlan Duffy & Co Lawyers Level 42, Rialto South Tower 525 Collins Street Melbourne VIC 3000	
Stock exchange listing	Mighty Craft Limited shares are listed on the Australian Securities Exchange (ASX code: MCL)	
Corporate Governance Statement	https://www.mightycraft.com.au/investor/corporate-governance	

mighty craft