Company registered number 03727483

Annual report

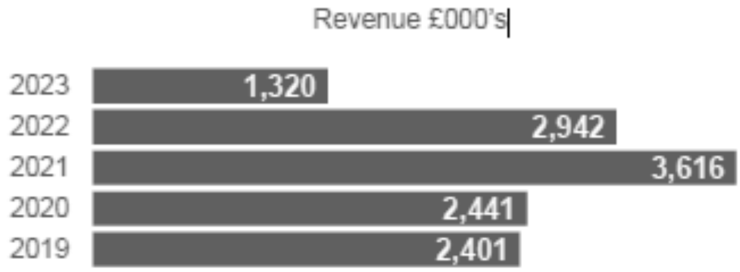
for the year ended

31 March 2023

Contents

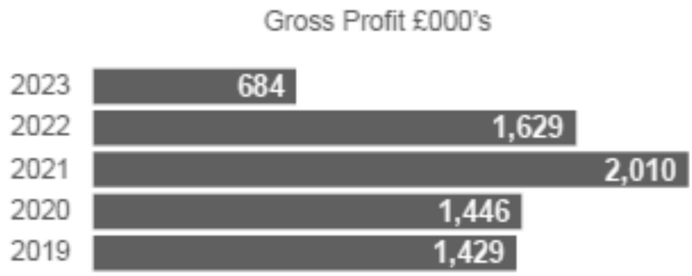
PERFORMANCE HIGHLIGHTS

Year to 31 March 2023 Versus prior year



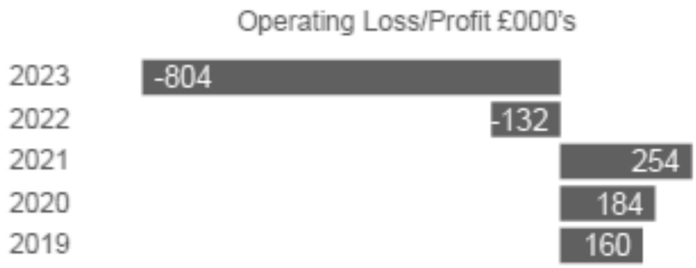
REVENUE

-55%



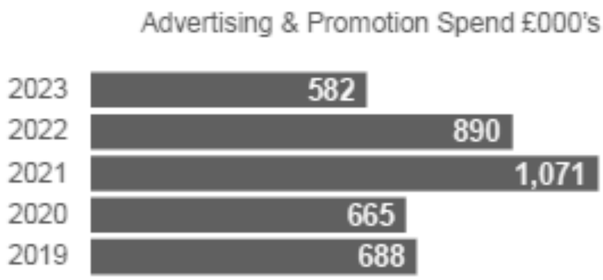
GROSS PROFIT

-58%



OPERATING LOSS

+509%



ADVERTISING & PROMOTIONAL SPEND

-35%

Chairman's statement

Performance

It has been a transitional year as we remodelled the business to allow us to handle all sales and marketing to our major UK retail customers directly, and appointed Marussia Beverages, the UK's leading artisanal spirits business, to grow our brands within the on-trade and independent sectors.

This major move resulted in a one-off impact to full year revenue, which sits slightly below market expectations, however the shape of the business model is expected to yield revenue upside from 2023 financial year onwards.

Reported losses are mainly attributed to the decline in sales as stock in the UK trade was depleted following the remodel. There was a larger job to be done than anticipated due to higher volumes of stock available in the UK trade than anticipated, however we are now through these issues, trading well with direct customers, and have seen the strongest results of the year in Q4, indicating that we are successfully rebuilding following the remodel.

In addition, the investment into RedLeg Spiced Rum TV campaign in Q1, along with increased promotions to assist with stock depletion and the reduction in distribution of Blackwoods gin as the UK gin market declines, attributed to the loss.

Marketing and new product development

Throughout this transitional period, we have focussed on stabilising the business, strengthening our export sales, and ensuring robust plans are in place in order to help accelerate growth through the new business model.

With direct control of our major UK retail customers, we have been able to deliver price premiumisation, and have robust promotional plans in place, supported by above-the-line in-store and online visibility to drive volume through these customers.

The coming financial year will see a strong programme of events and brand activation across RedLeg Spiced Rum to drive awareness and consumer trial. The on-trade will play a significant part in this, and the team at Marussia Beverages UK are on-track to help deliver volume-driving activation across key customers.

New packaging formats are also due to be launched into major retailers in Q2 which will support brand premiumisation and give us stand-out on shelf product. Our partnership with a well-established national gifting company to secure listings within miniature gift packs in major grocery also continues.

The new Blackwoods 2021 Vintage which launched Q1 of FY 22/23 involved creating a new, premium liquid in conjunction with Master Distiller, Sion Edwards, which showcased the best Scottish produce, including coastal botanicals such as kelp and sea buckthorn, to tie the new Vintage to the brand home being built on the Ardgowan estate. All distillation and bottling of the Blackwoods range now proudly take place in Scotland. The range has been well received and was awarded silver at the Scottish Gin Awards.

Progress remains positive at the Ardgowan site with all internal renovation work now complete and the 1,000L hand-built Scottish-built copper still is in situ ready for commissioning. The first Blackwoods liquids are due to be distilled this year. The team is working closely with Ardgowan to design the visitor experience, with plans to invite trade later this year.

Further to this, the team has been working to design an exciting new product development programme, which will see us enter lucrative new categories, including the launch of a blended malt whisky in accordance with our partnership with Ardgowan. We look forward to sharing further details with shareholders in due course.

Chairman's Statement (continued)

Export growth

Export sales are down 54% as we lapped particularly strong prior year sales as we opened significant new markets with new varieties of RedLeg Spiced Rum and benefited from associated pipe-fill sales along with additional pipeline fill in established markets post lockdown.

Expanding the global reach of our brands remains a focus across the business. Over the past year we have opened two new markets in Scandinavia and Latin America, with interest from further markets being nurtured across the portfolio.

In addition, we have increased communication with existing markets in order to better understand the changing needs of each post-Brexit, so that we can ensure that we are better supporting the brands. For the coming financial year, we plan to increase above the line marketing spend across key markets to help drive sales.

Cost pressures

Management of operations and cost of goods has been challenging throughout the year due to the turbulent economic environment which has seen us faced with double-digit price increases from suppliers in reaction to inflation. The team continues to work hard to mitigate these increases and reduce our costs moving forward without compromising on product quality.

Through close management of suppliers, the margin benefits of supplying our major customers directly, and price premiumisation, we expect our margins to recover in the medium term.

Ardgowan

We took the decision in Q3 not to exercise the option (which expired at the end of December 2022) to invest a further £2m into the Ardgowan Distillery project at this time to focus cash resources on our core business. However, Ardgowan plans remain intact and the project represents a significant long-term investment for the business.

We are working closely with the team to deliver the Blackwoods brand home and we look forward to welcoming the first visitors in the coming year.

Board Changes

Mike Keiller has announced his intention to step down from the Board at the forthcoming AGM.. Mike has brought a wealth of experience to the business during his tenure, however he has taken the decision to resign his position in order to enjoy his well-earned retirement.

In order to replace Mike, Shaun Claydon will move from part time Finance Director to Non-executive Director, whilst retaining his role as Company Secretary. Current head of finance and operations, Adebola Adebo will assume Shaun's day to day responsibilities.

We intend to further strengthen the Board through the appointment of an additional independent Non-executive Director who can add relevant experience and value as soon as reasonably practicable and in any event by the end of the current financial year.

Outlook

The past year has seen significant changes within the business as we remodelled and strengthened the team across departments to support direct to customer channels and accelerated growth of our brands.

As we enter the new financial year, we are conscious of global pressures that still remain in terms of economic uncertainty and the impact that this will have on consumer spending habits as disposable income is squeezed.

However, we are confident that our brands are well positioned as affordable premium products, meaning that they will remain attractive to consumer and trade alike.

Chairman's Statement (continued)

We will continue to focus on finding efficiencies across the supply chain to ensure that our margins recover, and seek new markets and channels within which to drive volume.

In conjunction with our remodelled business, new product development programme and investment into brand marketing, we are confident that we will be able to accelerate business growth throughout the coming financial year, creating significant value for shareholders.

Don Goulding

Executive Chairman

Date: 3 July 2023

Strategic report

Results for the year

The loss before tax attributable to shareholders for the year amounted to £654k (2022: loss before tax £95k). Adjusted EBITDA* was a loss of £785k (2022: profit of £9k).

Year-on-year sales revenues and volumes declined 55% and 56% respectively and reflects a number of one-off issues affecting the business during the financial year. These included the implementation of a new business model moving from a distributor-based model to taking direct control of supplying major UK customers. This transition resulted in a significant one-off reduction in UK market stock cover with a consequential reduction in revenues during the year. This was compounded by a system issue at a major retail customer resulting in a significant reduction in Redleg Spiced Rum stock availability during the key Christmas trading period together with a delisting of Blackwoods gin by a mid-sized retailer. More broadly the UK spirits market proved softer than expected in response to the challenging economic environment, particularly inflation which impacted consumer confidence.

Gross margins fell to 52% (2022: 55%) primarily due to a significant increase in the cost of goods as our suppliers implemented double digit price increases in response to inflation. In the short-term gross margins will remain subdued due to these cost increases whilst in the medium term we expect recovery toward prior year levels as the benefits of the change in business model to direct customer supply and brand premiumisation filter through.

We continued to invest in brand development during the period. Despite seeing a reduction in absolute terms, marketing spend as a percentage of sales increased to 44% (2022: 30%) partly due to Q1 costs associated with the Redleg Spiced Rum TV campaign and also as we continued to build programmes to support our existing brands and lay the groundwork to create and launch new products in response to consumer trends during 2023.

The Group seeks to minimise overheads where possible, whilst ensuring sufficient investment to support the growth in sales of its existing brands and development of new brands. Other administrative expenses increased by 11% over prior year. Adjusting for the one-off costs associated with the financing and investment in Ardgowan Distillery Limited in the prior year, the like-for-like increase was 21%, primarily due to investment in staff recruitment to support business growth, increased travel and professional fees as well as general inflationary cost increases.

Cash flow

The operating loss together with net movements in working capital resulted in a net cash outflow from operating activities of £966k during the year (2022: £151k inflow). Net movements in working capital were adversely impacted by a £432k increase in inventories during the year. This was due to the "one-off" return of unsold stock from our former UK distributor as a result of our business remodel together with lower than expected sales volumes. Following convertible loan interest income of £150k from Ardgowan and modest capex, the Company's cash and cash equivalents decreased by £845k to £717k at the financial year end.

Balance sheet

The Group had net assets of £6.80m at the financial year end (2022: £7.55m). This included financial assets of £3.0m (2022: £3.0m), cash reserves of £0.72m (2022: £1.56m) and intangible assets of £1.63m (2022: £1.61m) comprising expenditure on trademarks related to our brands. Financial assets solely comprise our investment in Ardgowan, further details of which are set out below and note 12 to the accounts. Inventories increased to £1.07m (2022: £637k) primarily due to the aforementioned business model change and lower than expected sales volumes.

Investment in Ardgowan Distillery Limited

The £3 million strategic investment in Ardgowan is in the form of a convertible loan yielding interest of 5% per annum. After careful consideration by the Board it was decided not to exercise the option to invest a further £2 million before its expiry on 31 December 2022 and to focus cash resources on our core business.

**EBITDA is adjusted for share based payment expenses of £3k (2022: £59k) and one-off costs associated with the Ardgowan financing and investment of £Nil (2022: £66k).*

Strategic report (continued)

Principal activities and business review

Distil Plc (the “Company”) acts as a holding company for the entities in the Distil Plc Group (the “Group”). The principal activity of the Group throughout the period under review was the marketing and selling of RedLeg Spiced Rum, Blackwoods Vintage Gin, Blackwoods Vodka, Blavod Original Black Vodka, TRØVE Botanical Spirit and Diva Vodka.

The 2023 financial year was a year of transition, and the disappointing performance primarily reflects the change in business model away from our UK distributor and taking direct control of supply to major UK customers. This change required a one-off but prolonged clearing of stocks from the previous distributor which significantly impacted revenues. This was further compounded by a softer than expected UK spirit market in response to the ongoing challenging economic environment together with inflationary pressure throughout our supply chain. Having completed this transition the focus in the year ahead is to drive domestic and export revenue growth through multi-channel and marketing activities and new product launches whilst ensuring overhead costs remain appropriate for the size of the Group.

Key performance indicators

The Group monitors progress with particular reference to the following key performance indicators:

- **Contribution – defined as gross margin less advertising and promotional costs**

Contribution for the year decreased £638k to £102k (2022: £739k). This decrease was primarily due to a 55% fall in overall sales revenues whilst advertising and marketing costs saw a lesser reduction of 35% during the year as we maintained investment in brand development.

- **Sales turnover versus previous year**

Total sales decreased 55% year-on-year to £1.32m (2021: £2.94m). Sales of RedLeg Spiced Rum which accounts for the majority of sales revenue decreased 52% whilst Blackwoods gin posted a 86% decrease in revenue during the period. Blackwoods Vodka and Blavod Original Black Vodka experienced a reduction in sales of 34% and 41% respectively whilst TRØVE Botanical Spirit posted a sales increase of 59%, albeit all off relatively small bases.

- **Gross margin versus previous year**

Gross margin as a percentage of sales experienced a reduction to 52% (2022: 55%) due to an increase in the costs of sales caused by inflationary pressures throughout the Group’s supply chain. The change in business model away from the UK distributor model should mitigate these increases in the short to medium term as we capture additional margin from the supply chain and premiumise our brands.

We also closely monitor both the level of, and value derived from our advertising and promotional costs and other administrative costs. As a percentage of sales, advertising and promotional spend amounted to 44% (2022: 30%) during the year, reflecting our continued commitment to investing in existing and new brand development.

Other administrative costs increased 11% to £903k (2022: £812k). Adjusting for the one-off costs associated with the financing and investment in Ardgowan during the prior year (£66k), other administrative costs increased 21%. This increase was primarily due to an increase in staff costs, as we strengthened the team during the period, additional professional fees and travel costs and general inflationary cost increases.

Principal risks and uncertainties

As a relatively small but growing business our senior management is naturally involved day to day in all key decisions and the management of risk. Where possible, structured processes and strategies are in place to monitor and mitigate as appropriate. This involves a formal review at Board level.

The directors are of the opinion that a thorough risk management process has been adopted which involves a formal review of the principal risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Strategic report (continued)

- **Economic downturn**

  The success of the business is reliant on consumer spending. An economic downturn, resulting in reduction of consumer spending power, will have a direct impact on the income achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

- **High proportion of fixed overheads and variable revenues**

  A large proportion of the Group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Senior management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented wherever possible when there is an anticipated decline in revenues.

- **Competition**

  The market in which the Group operates is highly competitive. As a result, there is constant downward pressure on margins and the additional risk of being unable to meet customer expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

- **Failure to ensure brands evolve in relation to changes in consumer taste**

  The Group's products are subject to shifts in fashions and trends and the Group is therefore exposed to the risk that it will be unable to evolve its brands to meet such changes in taste. The Group carries out regular consumer research on an ongoing basis in an attempt to carefully monitor developments in consumer taste.

- **Portfolio management**

  A key driver of the Group's success lies in the mix and performance of the brands which form the Group's portfolio. The Group constantly and carefully monitors the performance of each brand within the portfolio to ensure that its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

Future developments

We remain focused on four key growth drivers to maintain profitable brand growth and create value. These are listed below:

Brand activation and marketing at the point of sale:

- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:

- Pack sizes & formats, new brands, liquids and flavours.

Route to consumer:

- Build long term relationships with capable local distributors in each key market.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

Access to new production and design:

- Across all aspects of distilling, bottling, packaging.

Strategic report (continued)

Section 172 statement

Directors of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the non-exhaustive list of factors set out in Section 172 of the Companies Act 2006.

Section 172 also requires directors to make a conscious effort to understand the interests and expectations of the Company's stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable success for our business.

Engagement with our members and wider stakeholder Groups plays an essential role throughout our business. We are cognisant of fostering an effective and mutually beneficial relationship with each stakeholder Group. Our understanding of stakeholder needs and concerns is factored into boardroom discussions regarding the potential long-term impacts of our strategic decisions on each Group. This approach is expected to help the Board maintain effective, sustainable and mutually beneficial relationships.

Post the reporting year end, the Board have continued to have regard to the interests of Distil's stakeholders, including the potential impact of its future activities on the community, the environment and the company's reputation when making decisions. The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder's voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. The Board determined its key stakeholders on the basis of each group's potential to a) be impacted by the Company's activities, and/or b) have an impact on the Company's activities. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making. The Board also continue to take all necessary measures to ensure Distil is acting in good faith and fairly between members and is promoting the success of the company for its members in the long term.

The table below acts as our Section 172 statement by setting out the key stakeholder Groups and how Distil has engaged with them over the reporting year.

Stakeholder	Why we engage	How we engage
Our investors	We maintain and value regular dialogue with our investors and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the company, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity about our results and long-term strategy to build trust in our future plans.	• Regular reports and analysis on investors and shareholders • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Press releases • Analyst research • One-to-one meetings
Regulatory bodies	Distil's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, responsible advertising of alcoholic products along with contractual terms.	• Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board meetings • Risk reviews

Strategic report (continued)

Our employees	Our people are at the heart of our business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the company and who are all pulling in the same direction. Our engagement seeks to address any employee concerns regarding working conditions, health and safety, training and development, as well as workforce diversity.	• Open and regular informal dialogue • Formal annual reviews • Employee benefit packages • Ongoing training and development opportunities • Board level communication and interaction on company strategy • Receives reports on HR data (including staff retention and other potential cultural metrics) and themes emerging from employee surveys and forums
Our customers	We aim to listen to and engage with our customers on a regular basis to ensure that we understand their needs. We ensure that information is easily accessible and customer concerns are dealt with in a timely and professional manner.	• Ongoing review of customer feedback • Face-to-face meetings with customers to further develop relationships • Ongoing promotional and advertising activity • Ongoing review of data and metrics on customer retention rates and customer satisfaction periodically • The Board also receives information on how the Group manages its relationships with its key customer groups on an ongoing basis via marketing and communication, customer feed and Company's website
Our suppliers	We have a number of key partners and suppliers with whom we have built strong relationships with and strongly value. We establish effective engagement channels to ensure our relationships remain collaborative and forward-focused, and to foster relationships of mutual trust and loyalty.	• Open two-way dialogue and regular face to face meetings • Performance review and feedback • Periodic review of procurement agreements, including raw materials such as glass bottles and corks • The Board receives data and metrics on payment practices and other indicators of relationships with suppliers

The above statement should be read in conjunction with the Strategic Report and the Corporate Governance Statement on pages 14 to 21.

Approved by the Board and signed on its behalf by:

S Claydon

Director
3 July 2023

Directors' report

Review of business and financial performance

Information on the financial position and development of the Group is set out in the Chairman's Statement on page 4 and in the Strategic Report commencing on page 7.

Results

The Group reports a loss before tax for the year of £654k (2022: loss before tax £95k). The current year and prior year results relate solely to ongoing activities. The Directors do not recommend payment of a dividend.

Subsequent events

There have been no significant events subsequent to the year-end.

Future developments

This has been included in the Strategic Report on page 9.

Financial risk management

Details of the Group's financial risk management objectives and policies and its exposure to risks associated with the use of financial instruments are disclosed in note 17 to the financial statements.

Directors

The directors of the Company who served during the year and up to the date of this report are as follows:

Don Goulding	Executive Chairman
Shaun Claydon	Finance Director
Roland Grain	Non-executive Director
Michael Keiller	Non-executive Director
Kate O'Connell	Marketing Director (Resigned 14 October 2022)

Their remuneration is disclosed in note 8 to the financial statements.

Qualifying third party indemnity insurance

The Group maintains qualifying third-party indemnity insurance for the benefit of the directors.

Statement of disclosure to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

PKF Littlejohn LLP has indicated its willingness to continue in office and a resolution will be proposed at the Annual General Meeting to reappoint PKF Littlejohn LLP as auditor for the next financial year.

Going concern

The Group recorded a consolidated loss before tax of £748k during the year under review and held cash reserves in the amount of £0.7m at the year end.

Directors' report (continued)

Management has prepared detailed two year forward forecasts for the business. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated, and also take into account the impact of reduced case volume and revenue sales to customers and unexpected increases in costs of goods sold, where applicable. In the event that case volume and revenue sales fall short of expectations, Management have the ability to reduce discretionary expenditure such as marketing and variable overheads to mitigate any negative impact on associated cash flows. Having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and financial forecasts, the directors have a reasonable expectation that the Group will have adequate cash reserves to meet the requirements of the business for a period of at least twelve months from the date of signing the financial statements. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards. The financial statements must, in accordance with International Accounting Standards, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with UK-adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate governance

The Board is committed to maintaining high standards of corporate governance.

To the extent applicable, and to the extent able (given the current size and structure of Distil Plc and the board of directors), the Group has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how Distil Plc complies with the Code, the reasons for any non-compliance, and the principles contained in the Code, are set out in the corporate governance statement starting on page 14, and on the Group's website, https://www.distil.uk.com/investors.

Approved by the Board and signed on its behalf by:

S Claydon
Director
3 July 2023

Corporate governance statement

Overview

As Chairman of the Board of Directors of Distil, it is my responsibility to ensure that we have both sound corporate governance and an effective Board. As Chairman my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

We have decided to adopt the Quoted Companies Alliance Corporate Governance Code (QCA Code) in line with the London Stock Exchange's changes to the AIM Rules, requiring all AIM-quoted companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. Subsequent to the year end there has been changes to the composition of the Board, further details of which are included in the Chairman's statement and under QCA Principle 5 below.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below or the Company's website. Distil understands that the application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

QCA Principles

1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of the following strategy for the Company: the marketing and selling of RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka, Blavod Black Vodka and TRØVE Botanical Spirit, both domestically and internationally.

The Company intends to deliver medium and long-term shareholder value by maintaining or growing investments in proven brand building activities and, in addition, invest in our four growth levers:

Brand activation and marketing at the point of sale:

- Precise timing and frequency of promotional activity including occasions and gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:

- Pack sizes & formats, new brands, liquids and flavours.

Route to consumer:

- Build long term relationships with capable local distributors in each key market.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

Access to new production and design:

- Across all aspects of distilling, bottling and packaging.

For more information on Distil's strategy and future developments, please see page 9 in the Strategic Report.

The Company intends to deliver shareholder returns for the foreseeable future through capital appreciation. Challenges to delivering capital appreciation include uncertainty in relation to consumer spending on our brands and competition within our chosen markets, although the Board takes steps to mitigate these risks. Further challenges to our strategy and long-term goals are highlighted in the Principal Risks and Uncertainties section on page 8 of the Strategic Report.

Corporate governance statement (continued)

2. Seek to understand and meet shareholder needs and expectations

The Company places great importance on the need for effective communication and constructive dialogue with investors and the media by providing communications through the Annual and Interim Reports, along with Regulatory News Service announcements.

The Company's website, www.distil.uk.com, is used for both financial and general news relevant to shareholders. The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. The Executive Chairman is the Company's principal spokesperson with investors, fund managers, the press and other interested parties and acts as a general liaison for all shareholders.

Shareholders can contact the Company by email through our website and relevant queries are passed to the Board for discussion. The Company also engages the services of an independent Research Analyst, who publishes regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

All Directors attend the AGM, where private investors are given the opportunity to question the Board. The AGM provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend in order to express their views on the Company's business activities and performance in order to express their views on the Company's business activities and performance. All 2022 AGM resolutions were passed comfortably, save for Special Resolution 6, further details of which are included under QCA Principal 10 below.

In addition, the Company is open to receiving feedback from key stakeholders and will take action where appropriate. Shareholders can contact the Company by email through its website and relevant queries are passed to the Board for discussion.

The Company also engages the services of an independent Research Analyst, who publishes regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, and many other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which considers a wide range of key resources including staffing, clients, suppliers, production lines and opportunities.

All employees within the Group are valued members of the team, and the Company is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Company are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin. The Company has five employees so is in constant contact with same, seeking to provide continual opportunities in which issues can be raised, and allowing for the provision of feedback through one-to-one contact and support. This feedback process helps to ensure that new issues and opportunities that arise may can be used to further the success of the Company.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company values feedback received from customers and listens to customer feedback in relation to the taste, packaging and appearance of our products.

The Company has no significant environmental or community impact in its current stage of development but will continue to monitor and review for a change in status in line with regulatory and further developments.

Corporate governance statement (continued)

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for an effective and well-defined risk management process, and it oversees and regularly reviews the current risk management and internal control mechanisms.

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Company's risk appetite including the identification, assessment and monitoring of Distil's principal risks. The Company maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved before being formally adopted. Other key procedures that have been established and which are designed to provide effective control are as follows:

- management structure - where the Board meets regularly to discuss all issues affecting the Company; and
- investment appraisal - the Company has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the year and no weaknesses in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

Whilst the Board oversees and regularly reviews the current risk management and internal control mechanisms, it has also delegated this responsibility to the Audit Committee who keep under review the adequacy and effectiveness of the Company's financial internal controls and internal control and risk management systems.

Principal Risks and Uncertainties are outlined in the Strategic Report on page 8.

The Board considers an internal audit function is not necessary or practical due to the size of the Company and the day to day control exercised by the Executive Directors. However, the Board will monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises the part-time Executive Chairman, Don Goulding, the part time Finance Director, Shaun Claydon, Non-executive Directors Roland Grain and Michael Keiller.

Subsequent to the end of the 2022/23 financial year Michael Keiller has announced his intention to step down from the Board. To replace Mike, Shaun Claydon will move from part time Finance Director to a non-executive role, whilst retaining his role as Company Secretary. Both these changes will take effect from the date of the forthcoming AGM.

The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. Don Goulding is expected to dedicate 3-4 days per week to the Company, Shaun Claydon, and Roland Grain are expected to dedicate such time as is necessary for the proper performance of their duties.

In the year ended 31 March 2023, there have been nine Board meetings, all of which were attended by Don Goulding and Shaun Claydon, and seven of which were attended by Roland Grain. Michael Keiller attended five meetings. There has been two Audit Committee meetings, which were attended by Don Goulding and Shaun Claydon and one Remuneration Committee meeting attended by Michael Keiller, Roland Grain and Don Goulding.

Meetings are open and constructive, with every Director participating fully. Where appropriate, Senior management can be invited to meetings, providing the Board with a thorough overview of the Company.

Corporate governance statement (continued)

The Board recognises the long-term need for an Independent Non-Executive Chair and shall continue to review this as the scale and complexity of the Company grows in the future and in proportion to costs.

The Board also notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executives. Following the recently announced Board changes the Board will comprise one Executive Director and two Non-Executive Directors. Shaun Claydon is deemed to be independent by virture of his 30+ years business and financial experience including 20 years as a banker/broker in the City. As such he is considered to have a diverse range of skills and experience and will exercise his independent judgement to challenge all matters whether strategic or operational. Roland Grain is not independent by virtue of his significant shareholding in the Company.

Therefore, the Board acknowledges that at its current stage of development, it does not comply fully with the recommendations within Principle 5. However, the Board intends to appoint a further independent Non-Executive as soon as reasonably practical and in any event by the end of the current financial year.

In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board and Committee document authors are made aware of proposed deadlines, allowing board papers to be collated, compiled into a Board Pack, and circulated with sufficient time prior to each meeting, thus allowing time for full consideration and necessary clarifications before the meeting.

The Company has an Audit Committee and a Remuneration Committee. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively. The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of skills, experience and competencies in the Board's membership.

<u>Directors' conflict of interest</u>

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

All Directors are reminded periodically of their obligations to notify the Company of any changes in their statement of interests and to declare any benefits received from third parties (if any) in their capacity as a Director of the Company.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Biographical details of the Directors can be found on the Company's website, www.distil.uk.com.

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, and notes the range of financial and managerial skills. The Non-executive Directors maintain ongoing communications with Executives between formal Board meetings.

In addition to their general Board responsibilities, Non-Executive Director(s) are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments of governance and AIM regulations, with the Company's NOMAD providing annual AIM Rules refresher training to the Board as well as the initial training as part of a new director's onboarding.

The Directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

Corporate governance statement (continued)

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and with the Board expansion, re-consider the need for Board evaluation.

Succession planning recommendations are made by the Board as a whole, and all Directors submit themselves for re-election at the AGM at regular intervals. There are no specific terms of appointment for the Non-Executive Directors.

In addition, the Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their terms of employment and remuneration, including short-term bonus and long-term incentives (with targets consistent with the corporate strategy).

8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities is centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board reviews the Company's corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit. The Executive Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role, the day-to-day running of the business and developing corporate strategy, and primary contact with shareholders, clients and partners. The Non-Executive Directors are tasked with ensuring that the strategies proposed by the executive directors are fully considered, constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

No other Directors have any particular governance responsibilities beyond their role on the Board and Board Committees.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- The Company's strategy and vision
- Interim and full year financial statements and reports
- Investments or disposals
- Corporate governance
- Appointment of new Directors

Corporate governance statement (continued)

The Board delegates authority to two Committees to assist in meeting its business objectives, and the Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Michael Keiller (Chairman) and Roland Grain. The Finance Director and external auditors attend meetings by invitation. Following Mike Keiller's announcement of his intention to step down from the Board, Shaun Claydon will replace him as Chairman of the Audit Committee from the date of the forthcoming 2023 AGM.

The remit of the Committee is to review:

- the appointment and performance of the external auditors
- the independence of the auditors
- remuneration for both audit and non-audit work and nature and scope of the audit with the external auditors
- the interim and final financial report and accounts
- the external auditor's management letter and management's responses
- the systems of risk management and internal controls
- operating, financial and accounting policies and practices, and
- to make related recommendations to the Board.

The Audit Committee meets at least twice a year.

Remuneration Committee

The Remuneration Committee has two members, Michael Keiller (Chairman) and Roland Grain. Other members of the Board may attend the Committee's meetings at the request of the Committee Chair. Following Mike Keiller's announcement of his intention to step down from the Board Shaun Claydon will replace him as Chairman of the Remuneration Committee from the date of the forthcoming 2023 AGM.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the Directors. The contract terms, remuneration and other benefits for Michael Keiller and Roland Grain were decided by Don Goulding and Shaun Claydon, given the constitution of the Board at the time of the appointments.

The Remuneration Committee meets as required.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board as a whole will review Board composition.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes on a regular basis, and maintain that these will evolve over time, in line with the Company's growth and development.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to providing effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both private and institutional shareholders and research analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company, as well as maintaining regular contact with its advisers in order to ensure that the Board develops an understanding of the views of any other major stakeholders.

Corporate governance statement (continued)

All shareholders are encouraged to attend the Company's AGM. The Board discloses the result of general meetings by way of RNS announcement and publishes the proxy voting results on its website to ensure transparency with shareholders. All 2022 AGM resolutions were passed comfortably save for Special Resolution 6. The Company notes that Special Resolution 6, which was in relation to the disapplication of pre-emption rights had 75.99% votes cast in its favour. The Company recognises that some shareholders have concerns on this matter. As such, the Company will further engage with shareholders to ensure shareholder views are fully understood.

The latest Corporate Documents (including Annual Reports and Notices of AGMs) can be found on the Company's website.

Investors also have access to current information on the Company though its website, www.distil.uk.com. The Company uses electronic communications with shareholders in order to maximise efficiency.

Audit Committee Report

Dear shareholder,

I present the Audit Committee (**Committee**) Report for the year ended 31 March 2023, which has been prepared by the Committee and approved by the Board.

The Committee is chaired by me, Michael Keiller along with Roland Grain, and aims to meet at least twice per annum. Meetings are also attended, by invitation by the executive Chairman, Don Goulding and CFO, Shaun Claydon. The Committee and the Board is satisfied that the members of the Committee possess recent and relevant financial experience in various sectors to contribute to our work on the Committee.

Financial Reporting

The Committee is responsible for reviewing and reporting on the Company's financial performance, monitoring and reviewing the integrity of the Company's financial statements, including its Annual and Interim Accounts and any other formal announcement relating to its financial performance, and reviewing significant financial reporting issues and judgements which they contain. The Committee is also responsible for reviewing internal control and risk management and reviewing/monitoring the performance, independence and effectiveness of the external auditors. The Committee compiles a report to shareholders on its activities to be included in the Company's Annual Report, in addition to reporting formally to the Board on the Committee's proceedings after each meeting on all matters. During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy.

External Audit

The Committee is responsible for agreeing the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee engages in discussions with the auditor regarding fees, accounting policies and areas of critical accounting estimates and judgements.

The Committee is also responsible for reviewing and approving the annual audit plan with the auditor and ensuring that it is consistent with the scope of the audit engagement and the effectiveness of the audit. In addition, the Committee is responsible for reviewing the findings of the audit with the external auditor which shall include but not be limited to discussing major issues which arose during the audit, any accounting and audit judgements, and levels of errors identified during the audit and the effectiveness of the audit.

PKF Littlejohn LLP were appointed as external auditors in 2021 following an audit tender process carried out during the course of the year. The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK regulations, which require the next external audit tender to occur by 2029.

The Committee will engage in discussions with the auditor regarding fees, internal controls and such issues as compliance with accounting standards and any proposals that the external auditor has made regarding the Company's internal auditing standards.

Corporate governance statement (continued)

Auditor Independence

The Committee approves the external auditor’s terms of engagement, scope of work, the process for the interim review and the annual audit. It also reviews and discusses with the auditor the written reports submitted and the findings of their work and has primary responsibility for making recommendations to the Board, for it to put the shareholders for their approval at a general meeting, in relation to the appointment, re-appointment, and removal of the external auditor.

The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

The Committee is also responsible for reviewing and monitoring external auditor's independence and objectivity as well as their qualifications, expertise and resources and the effectiveness of the audit process, taking into consideration relevant UK and other relevant professional and regulatory requirements. The Company have considered the auditor's independence and continues to believe that PKF Littlejohn LLP is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff are not impaired.

Following consideration of both the auditor’s continued independence and objectivity, alongside the efficacy of the external audit process post-year end, the Committee formally recommends the reappointment of PKF Littlejohn LLP as external auditor to the Group to shareholders.

Michael Keiller
Chairman of the Audit Committee
Date: 3 July 2023

Independent auditor’s report to the members of Distil Plc

Opinion

We have audited the financial statements of Distil Plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 March 2023 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of changes in equity, the Consolidated statement of cash flows and Notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2023 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included a review of the forecast financial information prepared by management, including challenges made to the underlying assumptions and stress-testing these, a review of management’s assessment of going concern including an evaluation of the growth rate for each brand of spirits, and post year end information impacting going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s or parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Distil Plc (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. The scope of our audit was influenced by our application of materiality. The quantitative and qualitative threshold for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £36,039. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower performance materiality level to determine the extent of testing needed. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality	**Basis for materiality and rationale for the benchmark applied**
Group **Materiality £36,039 (2022: £26,100)** **Performance materiality £28,831 (2022: £18,270)** **Parent company** **Materiality £25,200 (2022: £18,270)** **Performance materiality £20,160 (2022 £12,790)**	An average of 2% of revenue and 7% of the loss before tax, which are considered to be the most appropriate benchmarks for an entity that markets and sells premium brands and considering the fact that the group has made a loss for the current year. Revenue is identified by Management as a key performance indicator and in our professional judgement is considered to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance. Given the loss for the current year, shareholders are also likely to be interested in the overall trading result therefore we have used an average of the two measures. 70% of materiality has been set as performance materiality to ensure sufficient coverage for group and parent company reporting purposes.

The group audit team performed a full scope audit of the one trading component and the parent company. The trading component was audited to a component materiality of £28,831 (2022: £26,000).

Performance materiality was determined at 70% of materiality for the group and parent company, based on our assessment of the relevant risk factors, the level of estimation inherent within the entities, the central finance function and our testing approach.

We agreed with the audit committee that we would report all corrected and uncorrected misstatements identified during the course of our audit in excess of £1,802 (2022: £1,305) for the group and £1,260 (2022: £913) for the parent company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of assessing the recoverability of intangible assets, the carrying value and recoverability of investments in subsidiaries at parent company level as well as revenue recognition and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditor's report to the members of Distil Plc (continued)

The group operates through one trading subsidiary undertaking which maintains its own accounting records and controls. The accounting records of the parent company and all subsidiary undertakings are maintained by an outsourced accounting function and audited by the group audit team based upon materiality or risk. The key audit matters and how these were addressed are outlined below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our scope addressed these matters
Carrying value and recoverability of intangible assets - trademarks (refer notes 2 and 10)	
The group and parent company reported intangible assets relating to trademarks with a carrying value of £1,633,000 (2022: £1,606,000). These are stated at cost less impairment. Management are required to complete impairment reviews at least annually to ensure that the carrying value is appropriate. Their impairment assessment is made by reference to value in use calculations involving internal forecasts, estimated growth rates and predicted discounted future cash flows. Due to the judgements and estimation involved in undertaking value in use calculations and impairment reviews, we consider this to be a key audit matter.	Our work in this area included but was not restricted to: • Evaluating and challenging management's assumptions used in its value in use calculations for each of the premium spirit brands. In particular, we reviewed projected future cash flows, along with estimated growth rates, with reference to the accuracy of previous forecasts; • Checked the mathematical accuracy of the discounted future cash flows; • Reviewed the sensitivity analysis prepared by management to assess the impact on headroom for changes in cash flows, growth rates and discount rates, including the probability of achieving sales volumes which would eliminate the headroom over the carrying value; and • Evaluating the disclosures included within the financial statements. Based on our procedures we found the judgements and estimates used by management in preparing their impairment review to be reasonable. We draw attention however to the sensitivity disclosures regarding Blavod Back Vodka in note 11 to the financial statements.

Independent auditor's report to the members of Distil Plc (continued)

Revenue recognition (refer notes 1 and 4)	
There is a risk that revenue has not been recorded in accordance with the disclosed accounting policy and customer contracts, together with cut-off around the reporting date. This is considered to be one of the principal benchmarks within the financial statements relevant to members of the Group in assessing financial performance.	Our work in this area included but was not restricted to: • Obtaining an understanding of the internal control environment in operation around revenue and undertaking walk-through tests; • Testing for the existence of recorded sales, together with the associated movement in inventory, through identification of the timing of delivery and invoicing; • Cut-off testing based upon inventory movements either side of the year-end; and • Evaluating the disclosures in the financial statements, as they relate to IFRS 15. Based on our procedures we did not identify any matters to indicate that the existence and cut-off of revenue was not appropriate.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Distil Plc (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability 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 the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework applicable to the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and our experience of the industry. We ensured that the audit team collectively had the appropriate experience with auditing entities within this industry, facing similar audit and business risks, and of a similar size.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
    - AIM Rules; and
    - HMRC rules regarding duty.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Making enquiries of management;
    - A review of Board minutes;
    - A review of legal ledger accounts; and
    - A review of regulated news service announcements.

Independent auditor's report to the members of Distil Plc (continued)

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management identified in relation to the valuation of the intangible assets, and we addressed this by challenging the assumptions and judgement made by management when auditing that significant accounting estimate.
- As in all our audits we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals, reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

3 July 2023

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	1,320	2,942
Cost of sales		(636)	(1,313)
Gross profit	4	**684**	**1,629**
Administrative expenses:			
Advertising and promotional costs		(582)	(890)
Other administrative expenses		(903)	(812)
Share based payment expense		(3)	(59)
Total administrative expenses		**(1,488)**	**(1,761)**
Loss from operations	5	**(804)**	**(132)**
Finance income	6	150	37
Loss before tax		**(654)**	**(95)**
Taxation	9	(94)	269
(Loss)/profit for the year and total comprehensive income		**(748)**	**174**

(Loss)/earnings per share			
Basic (pence per share)	3	(0.11)	0.03
Diluted (pence per share)	3	(0.11)	0.02

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	153	167
Intangible assets	11	1,633	1,606
Financial assets at amortised cost	12,17	3,000	3,000
Deferred tax asset	20	351	445
Total non-current assets		**5,137**	**5,218**
Current assets			
Inventories	13	1,069	637
Trade and other receivables	14	883	687
Cash and cash equivalents		717	1,562
Total current assets		**2,666**	**2,886**
Total assets		**7,806**	**8,104**
Liabilities			
Current liabilities			
Trade and other payables	15	854	407
Financial liabilities at amortised cost	17	150	150
Total current liabilities		**1,004**	**557**
Total liabilities		**1,004**	**557**
Net assets		**6,802**	**7,547**
Equity			
Share capital	16	1,474	1,474
Share premium		6,211	6,211
Share-based payment reserve		200	198
Accumulated losses		(1,084)	(336)
Total equity		**6,802**	**7,547**

The financial statements were approved and authorised for issue by the Board on 3 July 2023 and signed on its behalf by:

D Goulding
Director

S Claydon
Director

The accompanying notes form an integral part of these financial statements.

Company statement of financial position

As at 31 March 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	11	1,633	1,606
Financial assets at amortised cost	12,17	3,000	3,000
Total non-current assets		**4,633**	**4,606**
Current assets			
Trade and other receivables	14	598	634
Total current assets		**598**	**634**
Total assets		**5,231**	**5,240**
Liabilities			
Current liabilities			
Trade and other payables	15	570	582
Financial liabilities at amortised cost	17	150	150
Total current liabilities		**720**	**732**
Total liabilities		**720**	**732**
Net assets		**4,511**	**4,508**
Equity			
Share capital	16	1,474	1,474
Share premium		6,211	6,211
Share-based payment reserve		201	198
Accumulated losses		(3,375)	(3,375)
Total equity		**4,511**	**4,508**

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Company statement of comprehensive income. The loss for the Company for the year ended 31 March 2023 was £Nil (2022: loss £173,000).

The financial statements were approved and authorised for issue by the Board on 3 July 2023 and signed on its behalf by:

D Goulding
Director

S Claydon
Director

The accompanying notes form an integral part of these financial statements.

Company Number 03727483

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	1,292	2,908	117	(510)	3,807
Profit for the year and total comprehensive income	-	-	-	174	174
Shares issued	182	3,466	-	-	3,648
Share issue costs	-	(141)	-	-	(141)
Share based payment expense	-	(22)	81	-	59
Balance at 31 March 2022 and 1 April 2022	**1,474**	**6,211**	**198**	**(336)**	**7,547**
Loss for the year and total comprehensive income	-	-	-	(748)	(748)
Share based payment expense	-	-	3	-	3
Balance at 31 March 2023	**1,474**	**6,211**	**201**	**(1,084)**	**(6,802)**

The accompanying notes form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 March 2023

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	**1,292**	**2,908**	**117**	**(3,202)**	**1,115**
Loss for the year and total comprehensive expense	-	-	-	(173)	(173)
Shares issued	182	3,466	-	-	3,648
Share issue costs	-	(141)	-	-	(141)
Share based payment expense	-	(22)	81	-	59
Balance at 31 March 2022 and 1 April 2022	**1,474**	**6,211**	**198**	**(3,375)**	**4,508**
Loss for the year and total comprehensive expense	-	-	-	-	-
Share based payment expense	-	-	3	-	3
Balance at 31 March 2023	**1,474**	**6,211**	**201**	**(3,375)**	**4,511**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	**(654)**	**(95)**
Adjustments for non-cash/non-operating items:		
Finance income	(150)	(37)
Depreciation	16	16
Expenses settled by shares	-	15
Share-based payment expense	3	59
	(785)	**(42)**
Movements in working capital		
Increase in inventories	(432)	(84)
Increase in trade and other receivables	(196)	(78)
Increase in trade and other payables	447	54
Net cash used in operating activities	**(966)**	**(150)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2)	(16)
Expenditure relating to licences and trademarks	(27)	(8)
Payment on issue of convertible loan notes	-	(2,850)
Net cash used in investing activities	**(29)**	**(2,874)**
Cash flows from financing activities		
Proceeds from issue of shares, net of issue costs	-	3,492
Interest received on convertible loans	150	32
Net cash generated from financing activities	**150**	**3,524**
Net (decrease)/increase in cash and cash equivalents	(845)	500
Cash and cash equivalents at beginning of year	1,562	1,062
Cash and cash equivalents at end of year	**717**	**1,562**

The Company has not included a cash flow statement as the Company does not have a bank account. All cash transactions are settled by Distil Company Ltd (the "Subsidiary") and increases the intercompany loan balance with the Subsidiary.

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Basis of preparation and summary of significant accounting policies

The consolidated and company financial statements are for the year ended 31 March 2023. They have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below.

Distil Plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in England and Wales. The address of Distil Plc's registered office is 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT and its principal place of business is 73 Watling Street, EC4M 9BJ.

Going concern

The Group recorded a consolidated loss before tax of £654k during the year under review (2022: loss before tax of £95k) and held cash reserves in the amount of £0.72m at the year-end (2022: £1.56m).

Management has prepared detailed two year forward forecasts for the business. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated, and also take into account the impact of reduced case volume and revenue sales to customers and unexpected increases in costs of goods sold, where applicable. In the event that case volume and revenue sales fall short of expectations, Management have the ability to reduce discretionary expenditure such as marketing and variable overheads to mitigate any negative impact on associated cash flows. Having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and financial forecasts, the directors have a reasonable expectation that the Group will have adequate cash reserves to meet the requirements of the business for a period of at least twelve months from the date of signing the financial statements. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

New standards, amendments and interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022, none of which had a material impact on the Group and Company:

- Property, plant and equipment: proceeds before intended use – Amendments to IAS 16
- Reference to the conceptual framework – Amendments to IFRS 3
- Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020 Cycle

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The Group does not expect any of the amendments issued by the IASB, but not yet effective, to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2023. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Intra-group transactions and profits are eliminated fully on consolidation.

Notes to the consolidated financial statements (continued)

1. Basis of preparation and summary of significant accounting policies (continued)

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

Foreign currencies

i) Presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which that subsidiary operates (the functional currency). The consolidated financial statements of the Group are presented in Pounds Sterling.

ii) Transactions and balances

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of depreciation and any provisions for impairment.

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the statement of comprehensive income over its useful economic life as follows:

Computer equipment	20% on a straight-line basis
Marketing equipment	20% on a straight-line basis
Office equipment	20% on a straight-line basis
Production equipment	5% on a straight-line basis
Motor vehicles	10% on a straight-line basis

The useful economic lives are reassessed at least annually. Material residual value estimates are updated as required, but at least annually. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value and are accounted for on the FIFO basis. Cost is calculated as the cost of purchase of bottled products including delivery charges and non-refundable duty. Net realisable value is based on estimated selling prices less further costs of disposal.

Leased assets

When entering into a contract the Group assesses whether or not a lease exists. A lease exists if a contract conveys a right to control the use of an identified asset under a period of time in exchange for consideration. Short-term leases (leases of less than 12 months at the commencement date) are charged to the profit or loss on a straight-line basis over the lease term in administrative expenses. The Group only had short-term leases in the current and prior year.

Notes to the consolidated financial statements (continued)

1. Basis of preparation and summary of significant accounting policies (continued)

Intangible assets

Intangible assets are recognised at cost less any accumulated impairment.

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

The Group's intangible assets consist of expenditure on licenses and trademarks related to brands. Capitalised brands are regarded as having indefinite useful economic lives and have therefore not been amortised. These brands are protected by trademarks, which are renewable indefinitely, in all of the major markets in which they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace.

Accordingly, the directors believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes.

The Group carries out an annual impairment review as the assets are considered to have an indefinite useful economic life. See note 11 for details of impairment reviews.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, and deposits held with banks with original maturities of three months or less from inception.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value. Financial assets and liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets at amortised cost. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets held at amortised cost comprise of trade and other receivables, cash and cash equivalents and investments in convertible loans. Financial assets do not comprise prepayments.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the statement of comprehensive income.

Notes to the consolidated financial statements (continued)

1. Basis of preparation and summary of significant accounting policies (continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (ECLs). During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income.

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income is recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income is recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis is recognised.

Financial liabilities

The Group's financial liabilities include trade and other payables and lease liabilities. All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, using the effective interest method.

All interest-related charges and, if applicable, changes in the instrument's fair value that are reported in profit or loss, including net foreign exchange gains or loses, are included in the statement of comprehensive income line items "finance expense" or "finance income".

Employee benefits

Defined contribution pension scheme

The Group operates a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Pension contributions to personal pension schemes are charged to the statement of comprehensive income in the period in which they occur.

Share-based payments

A fair value for equity settled share awards is measured at the date of grant. The Group measures the fair value using the Black-Scholes valuation technique to value each class of award.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest and be credited to retained earnings. The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting. Once the share award has lapsed, it will be transferred to retained earnings via the statement of changes in equity.

Notes to the consolidated financial statements (continued)

1. Basis of preparation and summary of significant accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of issue costs.
- Retained earnings represent accumulated profits and losses from incorporation.
- Share-based payments is a reserve in which the entity receives goods or services either as consideration for its equity instruments for amounts based on the price of the entity's shares or other equity instruments of the entity.

Revenue recognition

Revenue comprises the fair value of the sale of goods to external customers excluding excise duty and VAT.

Contracts and obligation

All customer contracts have one element that the Group provides to the customer, being premium branded spirits.

Therefore, the supply of the premium branded sprits is the only performance obligation and all revenue is recognised at a point in time.

Determining the transaction price

The transaction price is determined as the fair value of the consideration the Group expects to receive over the course of the contract.

There are no incentives given to customers that would have a material effect on the financial statements. Any exchanges by customers of an order are for another order of the same type, quality, condition and price and therefore not considered returns. Although goods might be returned, there is no variability in the aggregate amount of revenue that will be received by the Group. There are no refunds to customers.

Allocate the transaction price to the performance obligations in the contract

The allocation of the transaction price to the one performance obligation in the contract is non-complex for the Group. There is a fixed unit price for each product sold. Therefore, there is limited judgement involved in allocating the contract price to each unit ordered.

Recognise revenue when or as the entity satisfies its performance obligations

The overarching terms are consistent in each contract. All revenue is recognised at a point in time, when the premium branded spirits are delivered to the customer, as the customer can benefit from the use of the goods when they have been delivered, and control of the goods has been transferred when delivered to the customer.

Notes to the consolidated financial statements (continued)

1. Basis of preparation and summary of significant accounting policies (continued)

Current and deferred tax

Current tax is the tax payable based on taxable profit for the year.

Deferred taxes are calculated using the liability method on material temporary differences.

Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited to other comprehensive income, in which case the related deferred tax is also charged or credited to other comprehensive income, or where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

1. Significant judgments and estimates

The preparation of consolidated and company financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Intangible assets

As disclosed under the intangible assets accounting policy above, the Group does not amortise its intangible assets as they are considered to have an indefinite life. Impairment reviews are carried out annually to ensure that these assets are not carried above their recoverable amount with a number of significant assumptions and estimates being made by management when performing these annual impairment reviews. These assumptions and estimates are described more fully within note 11. Intangible assets have a carrying value of £1,633,000 at the reporting date.

Recognition of deferred tax asset

The Group's management bases its assessment of the probability of future taxable income on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is usually recognised. Therefore, management has recognised a deferred tax asset of £351k based on five year forecasts to 31 March 2028 (see notes 9 and 20).

Notes to the consolidated financial statements (continued)

3. (Loss)/earnings per share

The calculation of the basic earnings per share is based on the results attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The diluted earnings per share is calculated based upon dilutive share options and warrants, see note 16 (c). In the current year, as the Group was loss making, the share options and warrants have not been included in the calculation as they would be anti-dilutive.

The earnings and weighted average number of shares used in the calculations are set out below.

	2023	2022
(Loss)/profit attributable to ordinary shareholders (£'000)	(748)	174
Weighted average of number of shares	684,399,579	676,801,406
Basic per share (pence)	(0.11)	0.03
Diluted per share (pence)	(0.11)	0.02

4. Segment reporting

	2023 £'000	2022 £'000
Revenue		
UK	1,190	2,612
Export	130	330
	1,320	**2,942**
Gross profit		
UK	598	1,424
Export	86	205
	684	**1,629**

The directors have decided that providing a geographical split by two locations, UK and Export, offers an enhanced indicator of business activity. Only revenue and gross profit can be easily identifiable when splitting between UK and export markets. All trade is undertaken, and assets are held in one geographic location, being the UK.

The Group's revenue included 3 (2022: 1) customers making up more than 10% each during the year:

	2023 £'000	2022 £'000
Revenue by Type		
Customer 1	552	-
Customer 2	217	-
Customer 3	140	-
Customer 4	97	2,531
All other customers	314	411
	1,320	**2,942**

Notes to the consolidated financial statements (continued)

5. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging:

	2023 £'000	2022 £'000
Depreciation of property, plant and equipment	15	16
Short-term lease expense	-	47
Net currency exchange gain/ loss	-	5

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below:

	2023 £'000	2022 £'000
Audit of the financial statements of the Group and Company	27	25
	27	**25**

6. Finance income and expense

	2023 £'000	2022 £'000
Finance income		
Interest on Ardgowan loan	150	32
	150	**32**

7. Investments

Investments comprise the following subsidiary companies, held at a total cost of £7 (2022: £7):

Name of company	Nature of business	Direct %	Country of incorporation
Distil Company Limited	Marketing and sale of spirits	100	England & Wales
Blavod Properties Limited	Dormant	100	England & Wales
RedLeg Rum Company Limited	Dormant	100	England & Wales

The registered office of all of the above subsidiaries is 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT.

Notes to the consolidated financial statements (continued)

8. Directors and employees

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Staff costs				
Wages and salaries	495	437	59	65
Social security costs	35	26	4	5
Short term non-monetary benefit	15	11	-	-
Pension costs	8	7	-	-
Share based payments	9	59	6	59
	562	**540**	**69**	**129**

	No.	No.
Group monthly average number of employees (including directors)	7	7
Company monthly average number of employees (including directors)	5	5

Directors' emoluments

	2023	2022
	£'000	£'000
Salaries and fees, bonuses and share-based payments	305	358

Individual directors' emoluments

	Salaries and fees	Bonuses	Share-based payments	2023 Total	2022 Total
	£'000	£'000	£'000	£'000	£'000
D Goulding	172	-	26	198	201
S Claydon	33	-	6	39	48
K O'Connell	42	-	-	42	86
R Grain	13	-	-	13	13
M Keiller	13	-	-	13	10
Total	**273**	**-**	**32**	**305**	**358**

Remuneration of key management personnel

	2023	2022
	£'000	£'000
Salaries and fees	405	297
Bonuses	-	16
Share-based payments	37	45
Pension costs	7	4
	449	**362**

Key management personnel include all directors of the Company and directors of Distil Company Limited, who together have authority and responsibility for planning, directing, and controlling the activities of the Group.

In the year ended 31 March 2023, the number of key management personnel who were in a Group defined contribution pension scheme was 2 (2022: nil).

Notes to the consolidated financial statements (continued)

9. Taxation

Analysis of credit in year	2023 £'000	2022 £'000
Current tax on (loss)/profit for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	94	(269)
Tax charge/(credit)	**94**	**(269)**

Reconciliation of the effective tax rate

The tax credits for the years presented differ from the standard rate of corporate tax in the UK. The differences are explained below:

	2023 £'000	2022 £'000
Loss before taxation	(654)	(95)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(124)	(18)
Effects of:		
Expenses not deductible for tax purposes	4	13
Adjust opening deferred tax to average rate of 25%	-	(64)
Deferred tax adjustment - remeasurement of current year losses at future tax rate	(48)	-
Recognition of previously unrecognised deferred tax liability	-	9
Change in unrecognised deferred tax assets	262	(209)
Tax charge/(credit)	**94**	**(269)**

The Group recognises a deferred tax asset in respect of losses in the Company's subsidiary, Distil Company Limited, has been recognised based on the forecast profit for the next five years, with the remainder of the unutilised losses not being recognised due to the uncertainty over the timing of future profits and gains. In the year to 31 March 2023 the deferred tax asset was reduced by £94k. A deferred tax liability of £37k related to fixed asset temporary differences has been netted against the deferred tax asset of £388k to give a net deferred tax asset of £351k. See note 20 Deferred tax.

The March 2023 Budget announced a further increase to the main rate of corporation tax to 25% for companies with profits over £250,000. For companies with profits up to £50,000 the corporation tax rate will remain at 19%. All budget changes are effective from 1 April 2023. This rate has been substantively enacted at the balance sheet date and as result deferred tax balances as at 31 March 2023 have been measured at 25%.

Notes to the consolidated financial statements (continued)

10. Property, plant and equipment

	Office equipment £'000	Computer equipment £'000	Production equipment £'000	Motor vehicles £'000	Marketing equipment £'000	Total £'000
Cost						
At 1 April 2021	**-**	**11**	**161**	**22**	**16**	**210**
Additions	-	2	13	-	-	15
At 31 March 2022	**-**	**13**	**174**	**22**	**16**	**225**
Additions	1	1	-	-	-	2
Disposals	-	-	-	-	-	-
At 31 March 2023	**1**	**14**	**174**	**22**	**16**	**227**
Accumulated depreciation						
At 1 April 2021	**-**	**6**	**21**	**10**	**6**	**43**
Charge for the year	-	2	8	2	3	15
At 31 March 2022	**-**	**8**	**29**	**12**	**9**	**58**
Charge for the year	-	2	9	2	3	16
At 31 March 2023	**-**	**10**	**38**	**14**	**12**	**74**
Net book value						
At 31 March 2023	**1**	**4**	**136**	**8**	**4**	**153**
At 31 March 2022	-	5	145	10	7	167

11. Intangible assets – trademarks

Group and Company	**2023 £'000**	**2022 £'000**
Cost		
At 1 April	1,606	1,598
Additions – external	27	8
At 31 March	**1,633**	**1,606**
Accumulated impairment		
At 1 April 2022 and 31 March 2023	-	-
Net book value	**1,633**	**1,606**

Impairment testing: To ensure that brands with indefinite useful lives are not carried above their recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations.

Notes to the consolidated financial statements (continued)

11. Intangible assets – trademarks (continued)

These calculations are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The value in use calculations are based on discounted forecast cash flows.

Cash flows are forecast for each brand for the next two years in the Group's annual financial plan, which is approved by the Board and reflects management's expectations of sales volume, operating costs and margin based on past sales volume experience and external sources of information.

The discount rate used for the value in use calculations is the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets, giving a post-tax discount rate of 10.1%. Value-in-use calculations cover a five-year period as, as noted above, the nature of the premium drinks industry is such that obsolescence is not a common issue. Management has prepared detailed forecasts for each individual brand for the next two years. Higher level forecasts have been prepared which assume 15% growth in contribution in years 3 to 5 for Blavod, 30% for Blackwoods Gin and Vodka, 10% for Diva and 33% for RedLeg.

Any impairment write downs are charged to other administrative expenses in the statement of comprehensive income. In the years ended 31 March 2023 and 31 March 2022 there was no impairment.

The principal trademarks of the Group are Blavod Black Vodka and Blackwoods Gin. The net book values of Blavod Black Vodka and Blackwoods Gin were £635k and £869k respectively at the end of the financial year.

Sensitivity to change in key assumptions: Impairment testing is dependent on management's estimates and judgements; in particular in relation to the forecasting of future cash flows, the discount rates applied to the cash flows and the expected long-term growth rates. For all brands with an indefinite life, sensitivity analysis has been performed by increasing the discount rate to 11.6% as well as reducing the growth rate by 15% for each brand. In respect of Blavod Black Vodka, if actual volume sales over the next two years are less than 86% of management's forecast volume sales, the brand's recoverable amount would fall below the current carrying value of £635k. Except for Blavod Black Vodka, based on historical data in addition to current and forward-looking information, management has concluded that no reasonably possible change in the key brand assumptions on which it has determined the recoverable amounts would cause their carrying values to exceed their recoverable amounts.

Notes to the consolidated financial statements (continued)

12. Financial assets

	2023 £'000	2022 £'000
Investment in convertible loan	3,000	3,000
Total	**3,000**	**3,000**

On 5 August 2021, shareholders approved a £3 million strategic investment by the Company in Ardgowan Distillery Company Limited ("Ardgowan"). The loan, which was drawn down by Ardgowan on 17 January 2022 and bears interest of 5% per annum, has been accounted for as a financial asset at amortised cost under IFRS 9, and no impairment to the carrying value is required at the year-end. No financial derivative has been recognised for the conversion option.

The first year's interest of £150,000 is being held in escrow by the Company and is shown as a financial liability in the statement of financial position. Ardgowan will pledge 10% of its annual production of malt whisky (or other product at the discretion of Distil) to Distil during the term of the loan. In addition, Ardgowan has granted to Distil a floating charge over 10% of its annual production of malt whisky (or other product at the discretion of Distil) until the above pledge takes effect.

The loan is repayable at par after 10 years from the drawdown date on 17 January 2032 or, at the Company's discretion, can be converted into 1p ordinary shares of Ardgowan at a fixed pre-money valuation of £30 million. The loan agreement included an option for the Company to invest up to a further £2,000,000 which was exercisable until 31 December 2022. This option was not exercised by the Company.

13. Inventories

	2023 £'000	2022 £'000
Raw materials	502	301
Finished goods	567	336
Total	**1,069**	**637**

During the year ended 31 March 2023, a total of £636k of inventories was included in the statement of comprehensive income as an expense (2022: £1,313k).

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	793	532	-	-
Other receivables	42	37	-	-
Prepayments	47	118	4	10
Amounts owed by subsidiary undertakings	-	-	594	624
	882	**687**	**598**	**634**

Analysis of trade receivables

	<30 days	31 – 60 days	61 -90 days	> 90 days	Total Gross	ECL	Total Net
2023	149	106	321	217	793	-	793
2022	532	-	-	-	532	-	532

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The Group measures ECL based on historical data in addition to current and forward-looking information utilising managements knowledge of their customers. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Amounts owed by subsidiary undertakings are repayable on demand.

At the date of signing this report, £537k of the trade receivables balance as at 31 March 2023 has been recovered. During the year, as part of the business remodel, credit periods for the Group's customers have increased to an average of 90 days (2022: 60 days).

15. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	622	243	-	-
Other taxation and social security	13	-	-	-
Other payables	38	47	-	-
Amounts owed to subsidiary undertakings	-	-	563	564
Accruals	181	117	7	18
	854	**407**	**570**	**582**

Amounts owed to subsidiary undertakings are repayable on demand.

Notes to the consolidated financial statements (continued)

16. Share capital

Group and Company

(a) Share capital

Allotted and fully paid	2023 Number of shares	£'000	2022 Number of shares	£'000
Ordinary shares of 0.1p each	684,399,579	684	684,399,579	684
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**772,158,087**	**1,474**	**772,158,087**	**1,474**

	Number	Share capital £'000	Share premium £'000	Total £'000
At 1 April 2021	589,741,421	1,292	2,908	4,200
6 August – Share subscription and placing	160,750,000	160	2,914	3,074
24 December – Issue of shares on exercise of warrants	21,666,666	22	389	411
As at 1 April 2022 and 31 March 2023	**772,158,087**	**1,474**	**6,211**	**7,685**

The ordinary shares confer the right to receive a dividend, the right to one vote per share and the right to participate in a distribution on a winding up of the Company or a return of capital.

The deferred shares confer no right to receive any dividend or other distribution, no right to participate in income or profit and no right to receive notice or speak or vote at a general meeting. They solely confer the right to receive the amount paid up on the nominal value of each deferred share on a winding up of the Company, only after payment of £100,000,000 per ordinary share. The Company has the right to purchase all deferred shares for an aggregate consideration of £1.

(b) Share premium

Includes all current and prior periods premiums on shares allotted.

(c) Share based payment reserve

Options

One director hold options to subscribe for ordinary shares in the Company under EMI share option agreements approved by the directors on 2 June 2015, 28 July 2015 and 4 September 2020. One director holds options to subscribe for ordinary shares in the Company under an unapproved share option scheme approved by the directors on 1 March 2017 and 4 September 2020. One employee holds options to subscribe for ordinary shares in the Company under EMI share option agreements approved by the directors on 4 September 2020. The number of shares subject to options, the period in which they were granted and the period in which they may be exercised are given below.

Notes to the consolidated financial statements (continued)

16. Share capital (continued)

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Date of grant	No. of shares	Vesting conditions	Contractual life of options
28 July 2015	8,000,000	See below*	10 years
1 March 2017	2,750,000	See below**	10 years
4 September 2020	14,500,000	3 years from date of grant	10 years
	25,250,000		

*These are directors EMI options, 50% of which vested at the grant date, with the balance vesting upon the publication of the Annual Report and Accounts for the year ended 31 March 2016.

**These are unapproved directors' options, 50% of which vested upon the publication of the Annual Report and Accounts for the year ended 31 March 2017, with the balance vesting upon the publication of the interim results for the period ended 30 September 2017.

The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price pence	**Number of options**	**Weighted average exercise price pence**	**Number of options**
Outstanding at the beginning and end of the year	**1.18**	**32,250,000**	**1.18**	**35,750,000**
Lapsed during the year	(1.16)	(7,000,000)	(1.28)	(3,500,000)
Outstanding at the end of the year	**1.18**	**25,250,000**	**1.17**	**32,250,000**
Exercisable at the end of the year	1.05	10,750,000	1.02	12,750,000

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. Share options outstanding at the end of the year have the following expiry date and exercise price:

		Shares	
Expiry date	**Exercise price per share**	**2023**	**2022**
2025	0.85	8,000,000	10,000,000
2027	1.62	2,750,000	2,750,000
2030	1.28	14,500,000	19,500,000

The remaining contractual life for the options outstanding is 5.43 years (2022: 6.73 years).

Notes to the consolidated financial statements (continued)

16. Share capital (continued)

The Company recognised a share-based payment charge during the year of £3k (2022: £59k).

Group and Company	2023 £'000	2022 £'000
Share based payment charge	37	59
Adjustment in respect of forfeited share options	(34)	-
Total share based payments	**3**	**59**

The share based payment charge includes £32k related to options awarded to Directors (see note 8). The adjustment of £34k during the year relates to share options which have been forfeited during the vesting period.

The share based payment reserve relates to share based payment expenses in prior years.

Warrants

The Company grants warrants at its discretion to Directors, management, employees, advisors and lenders. These are accounted for as equity settled transactions. Terms of warrants vary from agreement to agreement.

The fair value of warrants granted and outstanding were measured using the Black-Scholes model, with the following inputs:

	2022
Fair value at grant date	0.85p
Share price	2.40p
Exercise price	2.00p
Expected volatility	60.50%
Option life	1.5 years
Risk free interest rate	0.187%

The number and weighted average exercise prices of warrants are as follows:

	2023		2022	
	Weighted average exercise price pence	Number of warrants	Weighted average exercise price pence	Number of warrants
Outstanding at the beginning and end of the year	**0.02**	**88,124,999**	**-**	**-**
Granted during the year	-	-	0.02	109,791,665
Exercised during the year	-	-	0.02	(21,666,666)
Lapsed during the year	(0.02)	(85,499,999)	-	-
Outstanding at the end of the year	**0.02**	**2,625,000**	**0.02**	**88,124,999**
Exercisable at the end of the year	0.02	2,625,000	0.02	88,124,999

The remaining contractual life for the warrants outstanding is 1.35 years.

Notes to the consolidated financial statements (continued)

17. Financial instruments

All of the Group's financial instruments are measured at amortised cost.

Financial assets

The principal financial assets of the Group and Company are bank balances and cash, trade and other receivables, amounts owed by subsidiaries and investments in convertible loans, as follows:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	717	1,562	-	-
Trade receivables	793	532	-	-
Other receivables	42	37	-	-
Amounts owed by subsidiary undertakings	-	-	594	624
Investment in convertible loan	3,000	3,000	3,000	3,000
Total financial assets	4,552	5,131	3,594	3,624

Financial liabilities

The principal financial liabilities of the Group and Company are trade and other payables, accruals and amounts owed to subsidiaries, as follows:

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade payables	622	243	-	-
Other payables	38	47	-	-
Accruals	181	117	7	18
Amounts owed to subsidiary undertakings	-	-	563	564
Interest on convertible loan	150	150	-	-
Total financial liabilities	991	557	570	582

Risk Management

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date. All classes relate to financial assets classified as loans and receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of expected credit losses. Impairment is made where there is an identified event which, based on previous experience, is evidence of a likely reduction in the recoverability of the cash flows. The Group has some concentration of risk, given that a significant proportion of its sales are made to a single wholesale distributor. However, historically the incidences of credit risk within the Group are very low and the Group expects this to continue into the future so it currently carries no expected credit losses.

The credit risk on liquid funds is limited because the third parties are banks with high credit ratings assigned by international credit-rating agencies.

Notes to the consolidated financial statements (continued)

17. Financial instruments (continued)

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions in a currency other than their functional currency. The Group tries to, where possible, only enter into transactions in the Group's functional currency.

Liquidity risk analysis

The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures. In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient un-drawn committed borrowing facilities.

As at 31 March 2023 the Group's liabilities have contractual maturities which are summarised below:

	Current				Non-current	
	Within 6 months		6 to 12 months		1 to 5 years	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	622	243	-	-	-	-
Other payables	38	47	-	-	-	-
Accruals	181	117	-	-	-	-
Interest on convertible loan	150	150	-	-	-	-
Total financial liabilities	**991**	**557**	**-**	**-**	**-**	**-**

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the reporting date.

18. Capital management

The Group's capital structure consists of equity share capital.

The Company monitors its capital structure closely, should additional funding be required it would most likely be secured as additional share capital.

19. Leases

The Group held no leases during the year ended 31 March 2023 (2022: 1). As this is for less than twelve months, the Group has applied the short term lease exemption for this lease.

	2023 £'000	2022 £'000
Short term lease expense	-	47

Notes to the consolidated financial statements (continued)

20. Deferred tax

The movement on the Group's deferred tax account is as shown below:

	2023 £'000	2022 £'000
At 1 April	445	176
Recognised in statement of comprehensive income:		
Tax (charge)/credit	(94)	269
At 31 March	351	445

Deferred tax assets and liabilities are attributable to the following in the year ended 31 March 2022:

	Assets 2022 £'000	Liabilities 2022 £'000	Net 2022 £'000
Available losses	482	-	482
Accelerated capital allowances	-	(37)	(37)
	482	(37)	445

Deferred tax assets and liabilities are attributable to the following in the year ended 31 March 2023:

	Assets 2023 £'000	Liabilities 2023 £'000	Net 2023 £'000
Available losses	388	-	388
Accelerated capital allowances	-	(37)	(37)
	351	-	351

A deferred tax asset has not been recognised for the following:

	2023 £'000	2022 £'000
Deferred tax not recognised related to unused losses	2,389	2,127
Unrecognised deferred tax assets	2,389	2,127

The Group has unused tax losses at 31 March 2023 of £11,111,000 (2022: £10,436,000).

Notes to the consolidated financial statements (continued)

21. Related party transactions

Remuneration of the directors and key management personnel has been disclosed in Note 8.

During the year, the Company had the following transactions with its subsidiary companies:

Net amounts due from subsidiary:	**£'000**
Balance at 1 April 2022	624
Expenses paid by the Subsidiary	(30)
Balance at 31 March 2023	594

See note 14 for further details.

22. Events after the reporting date

There have been no significant events subsequent to year end.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if you reside elsewhere, another appropriately authorised financial adviser.
If you have recently sold or transferred all of your shares in Distil plc, please send this notice and the accompanying documents as soon as possible to the purchaser or transferee or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

DISTIL PLC

Registered in England and Wales with Company Number 03727483

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2023 Annual General Meeting of Distil plc (**Company**) (**AGM**) will be held at 71-73 Carter Lane, London, EC4V 5EQ on 3 August 2023 at 11:00 a.m. The AGM Notice is set out in this Document (**Notice of AGM**).

The Board is committed to providing an open AGM and those who wish to attend the meeting will be welcome. Any changes to the accessibility of the AGM will be communicated via RNS announcement and on the Company's website.

Voting
The Board encourages shareholders to vote by proxy whether attending in person or not. This will ensure that votes are registered in accordance with shareholders' wishes regardless of any disruption around the AGM.

<u>To Vote by Post:</u> A Form of Proxy is enclosed with this Document. To be valid, the completed Form of Proxy (and supporting documents if applicable) must be received by the Company's registrar, Share Registrars Limited, 3 Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX as soon as possible but in any event no later than 11:00 a.m. on 1 August 2023.

<u>To Vote Online:</u> As an alternative to completing and returning a hard copy Form of Proxy, you can appoint a proxy or proxies electronically by visiting www.shareregistrars.uk.com. For an electronic proxy appointment to be valid, the appointment must be received by the Company's registrar, Share Registrars Limited, no later than 11:00 a.m. on 1 August 2023.

<u>To Vote Using CREST</u>: CREST members may also use the CREST proxy appointment service.

Further details on voting by proxy are set out in the Notes to the Notice of AGM at the end of this document.

Resolutions
The resolutions to be put to shareholders at the AGM are set out in the Notice of AGM which is included with this letter. An explanation of each of the resolutions is set out at the end of the document.

Questions
Shareholders are also encouraged to register any questions in advance of the AGM by submitting these to: info@distil.com by 11:00 a.m. on 1 August 2023. Where appropriate, responses will be returned directly to the shareholder, or may be responded to by the Board at the AGM.

Recommendation
The Board of Distil plc considers all of the proposed resolutions set out in the Notice of AGM to be in the best interests of the Company and shareholders as a whole and, accordingly, recommends that shareholders vote in favour of all the resolutions proposed, as the Directors intend to do in respect of their own holdings currently amounting to 24.32% of the issued share capital of the Company.

DISTIL PLC

(Incorporated in England & Wales with registered number 03727483)

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

Notice is hereby given that the 2023 Annual General Meeting of Distil plc (**Company**) (**AGM**) will be held at 71-73 Carter Lane, London, EC4V 5EQ on 3 August 2023 at 11:00 a.m. The AGM is held for the purpose of transacting the following business and to consider, and if thought fit, to pass the following resolutions (all resolutions being ordinary resolutions, save for resolutions 5 and 6 which are special resolutions):

Definitions

CA 2006	the Companies Act 2006
Company	Distil plc
Directors	the board of directors of the Company (or a duly constituted committee thereof)
Equity Securities	shall have the meaning given in section 560 of CA 2006
Ordinary Shares	ordinary shares in the capital of the Company

ORDINARY RESOLUTIONS

1. That the annual report and the financial statements for the year ended 31 March 2023, together with the report of the auditors thereon, be received.

2. That PKF Littlejohn LLP be appointed as auditor of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company.

3. To authorise the Directors to determine the fees payable to the auditor.

4. THAT, in accordance with section 551 of CA 2006, the Directors be generally and unconditionally authorised to allot Equity Securities:

4.1. up to an aggregate nominal amount of £456,266.39 (such amount to be reduced by the nominal amount of any Equity Securities allotted pursuant the authority in paragraph 4.2 below) in connection with a fully pre-emptive offer:

A. to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

B. to holders of other Equity Securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

4.2. in any other case, up to an aggregate nominal amount of £288,133.19 (such amount to be reduced by the nominal amount of any Equity Securities allotted pursuant to the authority in paragraph 4.1 above in excess of £288,133.19),

provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusions of the next annual general meeting of the Company (or if earlier, the date which is 15 months from the date of the passing of the resolution) save that the Company may, before such expiry, make offers or agreements which would or might require Equity Securities to be allotted and the Directors may allot Equity Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors under section 551 of CA 2006, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTIONS

5. THAT, subject to the passing of resolution 4, the Directors be authorised to allot Equity Securities for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

   5.1. the allotment of Equity Securities in connection with an offer of Equity Securities (but, in the case of the authority granted under paragraph 4.1 by way of a rights issue only):
      A. to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
      B. to holders of other Equity Securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   5.2. the allotment of Equity Securities or sale of treasury shares (otherwise than pursuant to paragraph 5.1 of this resolution) to any person up to an aggregate nominal amount of £68,439.96; and

   5.3. the allotment of Equity Securities or sale of treasury shares (otherwise than under paragraph 5.1 or paragraph 5.2 above) up to a nominal amount equal to 20% of any allotment of Equity Securities or sale of treasury shares from time to time under paragraph 5.2 above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

   such authority to expire at the conclusion of the Company's next annual general meeting after the passing of this resolution or, if earlier, at the close of business on the date which is 15 months from the date of passing the resolution, save that the Company may, before such expiry make offers or agreements which would or might require Equity Securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot Equity Securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

6. THAT, subject to the passing of resolution 4, the Directors be authorised in addition to any authority granted under resolution 5, to allot Equity Securities for cash under the authority conferred by resolution 4 and/or to sell Ordinary Shares held by the Company as treasury shares as if section 561 of CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

   6.1. limited to the allotment of Equity Securities or sale of treasury shares up to an aggregate nominal amount of £68,439.96 such authority to be used only for the purpose of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice; and

   6.2 limited to the allotment of Equity Securities or sale of treasury shares (otherwise than under paragraph 6.1 above) up to a nominal amount equal to 20% of any allotment of Equity Securities or sale of treasury shares from time to time under paragraph 6.1 above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

   such authority to expire at the conclusion of the Company's next annual general meeting (or, if earlier, at the close of business on the date which is fifteen months from the date of passing the resolution but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require Equity Securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot Equity Securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

By Order of the Board
Shaun Claydon
Company Secretary

201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to Attend and Vote at the AGM

1. The Company specifies that only those members registered on the Company's register of members at 11:00 a.m. (London time) on 1 August 2023 or if this general meeting is adjourned, at 11:00 a.m. on the day two business days prior to the adjourned meeting shall be entitled to attend and vote at the General Meeting.

Proxy Voting – General

2. If you are a Shareholder of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting. You can only appoint a proxy using the procedures set out in these notes. You can appoint the Chair of the meeting as your proxy or another person of your choice. Your proxy does not need to be a member of the Company but must attend the meeting to represent you.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you do vote in person at the meeting, that vote will override any votes previously submitted in respect of those shares.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against a resolution. If you do not select a voting option, your proxy may vote or abstain from voting at their discretion.

Proxy Voting – Procedures

7. To be valid proxy votes must be received by 11:00 a.m. on 1 August 2023, or if the meeting is adjourned, 48 hours before the adjourned meeting (**Proxy Vote Closing Time**).
8. The Company's Registrar is Share Registrars Limited. Their contact details are:
    - Tel: +44 (0) 1252 821390. Lines are open from 9:00 am to 5:00 pm (UK time) Monday to Friday (excluding public holidays in England and Wales).
    - Address: 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX.
    - Email: enquiries@shareregistrars.uk.com
9. You may lodge your proxy vote in one of the following ways:
    - To vote by post, please follow the instructions in Notes 10 and 11.
    - To vote electronically, please follow the instructions in Note 12.
    - CREST members may vote using the CREST system. Please follow the instructions in Notes 13 to 16.
10. Hard copy proxies must be completed in accordance with the instructions printed on them and returned to the Company's Registrars, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX (together with any necessary authority documentation) to be received no later than the Proxy Vote Closing Time. The power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered with the completed proxy form.
11. If you need a replacement hard proxy copy form, you may request this directly from the Company's Registrars. Please see the Registrar's contact details in Note 8.
12. As an alternative to submitting a hard copy proxy form, you may submit your proxy electronically by logging on to www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions. For an electronic proxy appointment to be valid, your appointment must be received no later than the Proxy Vote Closing Time.
13. CREST members may vote by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Neville Registrars (whose CREST ID is 7RA36) by the Proxy Vote Closing Time. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

16. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Proxy Voting – Changes and Revocations

17. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars using the contact details in Note 8 above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

18. In order to revoke a proxy instruction, you will need to inform the Company. You must telephone the Registrar using the contact details in Note 8 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Registrar no later than the Proxy Vote Closing Time. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to Note 5 above, your proxy appointment will remain valid.

Corporate Representatives

19. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

20. Corporate representatives must produce a signed corporate representative letter from the shareholder in suitable form at the AGM together with photographic identification to verify they are the representative referred to in the letter.

Share Capital

21. As at the close of business on the day immediately before the date of this notice of annual general meeting, the Company's issued share capital comprised 684,399,579 ordinary shares of nominal value 0.1 pence each. No shares are held in the Treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business, on the day immediately before the date of this notice of general meeting are 684,399,579.

Explanatory notes to the notice of the Annual General Meeting

This note sets out details of the Company's Annual General Meeting ("AGM") which is to be held at 71-73 Carter Lane, London, EC4V 5EQ on 3 August 2023 at 11:00 a.m.

The formal notice of AGM is given on pages 2 to 4 of this document and summary details of the resolutions to be proposed at the AGM are set out below.

This year, 6 resolutions are to be proposed at the Annual General Meeting. Resolutions 1 to 4 are ordinary resolutions and require a simple majority to pass. Resolutions 5 and 6 are special resolutions and require a majority of at least 75% to be passed. The purpose of each of the resolutions is as follows:

Ordinary Resolutions

Resolution 1: The Accounts and Reports
Section 437 of CA 2006 requires the Directors to lay copies of its annual accounts and reports for the year ended 31 March 2023, together with the auditor's report thereon. This resolution addresses that requirement.

Resolution 2 and 3: Auditors
The Company is required to appoint auditors at each Annual General Meeting at which accounts are laid before shareholders, to hold office until the next such meeting. Resolution 2 proposes that PKF Littlejohn LLP be re-appointed as auditor for the current year. Resolution 3 proposes that the Board be authorised to determine the level of the auditor's remuneration.

Resolution 4: Authority to Allot
This resolution deals with the Directors' authority to allot securities in accordance with section 551 of the Companies Act 2006 and complies with the Investment Association Share Capital Management Guidelines issued in February 2023.

If passed, the resolution will authorise the Directors to allot:

(i) Equity Securities up to a maximum nominal amount of £456,266.39 which represents approximately two-thirds of the Company's issued ordinary shares (excluding treasury shares) as at 6 July 2023 (being the latest practicable date prior to publication of this document) (ISC) in relation to a pre-emptive offer, with authority for the Directors to deal pragmatically with legal, regulatory and logistical issues arising from a fully pre-emptive offer (e.g. fractions of shares and overseas securities laws). This maximum is reduced by the nominal amount of any Equity Securities allotted under the authority set out in paragraph 4.2 of the resolution); and

(ii) Equity Securities up to a maximum nominal amount of £228,133.19 otherwise which represents approximately one-third of the Company's ISC. This amount will be reduced to the extent that Equity Securities allotted pursuant to paragraph 4.1 exceed £228,133.19 in nominal value.

The maximum nominal amount of securities which may be allotted under this resolution is therefore £456,266.39.

The authority granted by this resolution will expire on the earlier of the conclusion of next year's annual general meeting and the date which is 15 months after the resolution is passed.

The Directors have no present intention to exercise the authority conferred by this resolution.

Special Resolutions

Resolution 5 and 6: Disapplication of pre-emption rights
Under CA 2006, the Directors require shareholder authority to issue Equity Securities for cash without first offering them to the whole shareholder base pro rata to their existing holdings in accordance with the statutory requirements of section 561 CA 2006. Resolutions 5 and 6 will, if passed, give the Directors this authority within the specified limitations. Resolution 5 provides a general authority and resolution 6 is in respect of allotments to finance acquisitions and capital investments.

These resolutions are in line with the Pre-Emption Group's Statement of Principles 2022, the template resolutions published by the Pre-Emption Group in 2022 and the Share Capital Management Guidelines published by the Investment Association (as updated in February 2023) (Investor Guidelines). The Company notes the increase in the acceptable levels of authority set out in the Pre-Emption Group's Statement of Principles 2022 and the Directors consider it appropriate for the Company to seek those enhanced approvals to maximise its ability to act swiftly in the interests of shareholders should a need or opportunity arise.

Put simply, the Directors will, if the resolutions are passed, have authority to freely allot up to 10% of the ISC for cash, with additional allotments for cash permitted only for:

- offers which are essentially pre-emptive but enable the Directors to make pragmatic decisions to deal with logistical and regulatory issues in connection with the offer (up to 66.7% ISC in total);

- financing specified investments and acquisitions in line with the Investor Guidelines (up to 10% ISC); and

- specified follow-on offers in line with the Investor Guidelines (up to 20% of the nominal value of shares allotted under the original offer process (maximum 2% of the ISC).

The Directors have no present intention to exercise the authority conferred by these Resolutions.

The authorities set out in these Resolutions will expire on the conclusion of next year's annual general meeting or, if earlier, on the date which is 15 months after the date the resolution is passed.

By order of the Board
Shaun Claydon
Company Secretary
201 Temple Chambers
3–7 Temple Avenue
London
EC4Y 0DT

Directors and advisors

Directors	D Goulding (Executive Chairman) S Claydon (Finance Director) R Grain (Non-Executive Director) M Keiller (Non-Executive Director)
Company secretary	Shaun Claydon
Registered office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Company's registered number	England and Wales 03727483
Auditor	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Bankers	Barclays Bank Plc 50 Pall Mall London SW1A 1QA HSBC Bank Plc City of London Commercial Centre 60 Queen Victoria Street London EC4N 4TR
Nominated adviser	SPARK Advisory Partners Limited No.1 Aire Street Leeds LS1 4PR
Broker	Turner Pope Investments (TPI) Limited 8 Fredericks Place London EC2R 8AB
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
Tax adviser	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT