Distil plc

("Distil" or the "Group")

Final Results for the Year Ended 31 March 2016

"Strong growth in brand volumes and revenues across key markets"

Distil (AIM: DIS), owner of premium drinks brands including Blackwoods Gin and Vodka, RedLeg Spiced Rum, Blavod Black Vodka, Diva Vodka and Jago's Vanilla Cream Liqueur, announces its final results for the year ended 31 March 2016.

Operational review

- RedLeg Spiced Rum listed in 2 major UK supermarket chains
- Commenced shipments of Blavod Black Vodka to the USA, where we had been absent for several years
- International and domestic sales volumes growing strongly

Financial review

- Turnover, supported by increased marketing investment, increases to £1,169k from £666k
- Gross profit increased 68% from £406k to £681k
- Margins reduced from 61% to 58% for the same period, year-on-year
- Other administrative expenses reduced by 17%
- Operating loss reduced by 66% from £286k to £97k
- Cash reserves of £982k at 31 March 2016

Don Goulding, Executive Chairman of Distil, said:

"We are pleased to report strong growth year-on-year on the back of increased investment in our brands. The overall business has been transformed and simplified over the past three years and we are benefiting from focus on each of our brands. The recent TTB approval of RedLeg Spiced Rum will further enhance our presence in the important USA market and, with planned further marketing investment across all our brands, we look forward to building on the significant progress made to date."

Distil PLC	
Don Goulding Executive Chairman	Tel: +44 207 352 2096
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SI Capital (Broker)	
Andy Thacker Nick Emerson	Tel +44 1483 413500

Executive Chairman's statement

Results
Distil brands enjoyed strong growth with year-on-year revenues climbing 75% supported by an increase in marketing investment ahead of growth at 89%.

Overall losses for the period were reduced from £289k to £98k representing a 66% reduction over prior year.

Gross profit increased for each of our key brands with the fastest growth coming through RedLeg Spiced Rum which is performing consistently well in all markets domestically and internationally, in both the On-trade (bar, pubs and restaurants) and the retail trade.

The reopening of the US market for Blavod Black Vodka more than offset a decline in Eastern Europe duty free sales, although Q4 showed encouraging signs of year-on-year growth.

Placing
In March we announced that we had raised £626,260 (gross) following a placing of 62.626 million new shares at 1p, a premium to the prevailing share price. Cash raised from the placing has been used to strengthen the balance sheet and provide funds for further investment in brand marketing.

Domestic sales
Sales revenue in the UK grew by 121% following new listings with major customers during the year and continued growth through existing stockists of our brands. RedLeg Spiced Rum enjoyed a 350% increase in volumes as our brand reached new consumers. The premium gin market is showing signs of maturing but continues to grow and our Blackwoods Limited Edition is outperforming the market with a 62% increase in volume and revenue.

International
In Q1 we commenced shipments of Blavod Black Vodka to the USA where we had been absent for several years. Initial results have been very positive. Our distributor has successfully opened new stockists and secured strong promotional activity around the peak selling period.

Sales of Blavod Black Vodka in Eastern Europe showed early signs of recovery in Q4 although we are lapping weak numbers and not yet achieving the previous sales volumes, however it is encouraging to see some growth of this brand following a number of years of contraction.

Blackwoods Gin sales continued to grow in continental Europe despite a flood of new gin brands in all markets. In the USA we further increased our presence following initial shipments of our Small Batch Gin in March 2015 and in April 2015 we received TTB approval for our Limited Edition 60% Gin.

RedLeg Spiced Rum's rate of growth is accelerating in Australasia as the brand's profile improves following an increase in our marketing efforts in the territory.

In the USA we faced continued delays in approval for RedLeg Spiced Rum from the TTB and secured the services of specialists to assist us in opening this important market for the future. We were pleased to announce in May 2016 that RedLeg Spiced Rum had received TTB approval, further enhancing our presence and future sales opportunities in the USA.

Outlook

We remain entirely focused on the development of our brands in key markets. The successful placing in March will enable us to invest in further resource to help open up new international territories. It will also enable us to further increase our marketing support directly to consumers and with our in-market distributors.

We look forward to further growing revenues and expanding the reach of our brands over the coming year.

D Goulding
7 June 2016

Strategic report

Results for the year

The operating loss attributable to shareholders for the year amounted to £97k (2015: loss of £286k). The current year and prior year losses relate solely to ongoing activities.

Sales volumes and revenues from our brands have risen significantly during the year as we continue to focus on brand building through increased distribution, marketing and promotion. In particular we have made significant progress in the UK market where we have been successful in securing listings for RedLeg Spiced Rum in major UK retail multiples. We also continued to increase our presence in the US market with initial shipments of Blackwoods Small Batch Gin and Blavod Black Vodka during the year and in Australasia where we experienced significant volume growth for RedLeg Spiced Rum.

The Group's objective of minimizing overhead costs yielded a further year-on-year reduction in other administrative expenses.

The directors' primary focus remains that of returning the Group to a sustainable break even position and ultimately to turn a profit.

Principal activities and business review

Distil Plc 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 Blavod Black Vodka, Blackwoods Gin and Vodka, Diva Vodka, Jago's Vanilla Cream Liqueur and RedLeg Spiced Rum domestically and internationally.

The results for the 2016 financial year reflect the continued focus on investing in the Group's key brands to drive top line growth in both domestic and international markets 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 increased £143k from £258k in 2015 to £401k in 2016. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a reduction in gross margin and an 89% increase in advertising and marketing costs during the year.

- **Sales volume versus prior year**
  Total volumes increased 35% year on year largely driven by a significant increase in volume sales of RedLeg Spiced Rum which secured a listing in a second major UK multiple retailer during the period. Volume sales of Blavod Black Vodka showed another overall year-on-year decline in Eastern Europe although encouragingly, sales in that region showed growth in the final quarter of the year. In addition, Blackwoods Gin continued to grow in continental Europe. Total volume sales of Blackwoods Gin increased 3% led by a 62% increase in UK volumes of Blackwoods Limited Edition. Blackwoods Vodka decreased 15% compared to the prior year which benefited from initial retail stocking orders. During the year we increased our presence in both the US market with initial shipments of Small Batch Gin and Blavod Black Vodka and in Australasia where we experienced accelerating volume growth for RedLeg Spiced Rum.

- **Sales turnover versus previous year**
  Total sales increased 75% year-on-year. Notable within this was a 350% increase in sales of RedLeg Spiced Rum, driven by a significant increase in UK sales volumes. Sales of Blackwoods Gin and Blavod Black Vodka also increased 6% and 100% respectively during the period, whilst sales of Blackwoods Vodka decreased by 18%.

- **Gross margin versus previous year**
  Gross margin as a percentage of sales decreased from 61% to 58%. The prior year margin benefitted from a one off credit to cost of sales and overall underlying margins have held up well against the backdrop of pricing pressures in the market.

We also closely monitor both the level of and value derived from our advertising and promotional costs and other administrative costs. Advertising and promotional costs increased in absolute terms by £132k from £148k to £280k as the Group continued to invest in the marketing of its brand portfolio to drive top line sales growth. As a percentage of sales, advertising and promotional spend amounted to 24% (2015: 22%) during the year.

Other administrative costs decreased by £93k from £563k to £470k reflecting the continued focus on ensuring overhead levels remain appropriate for the size of the Group.

Future developments
Following an encouraging start to the financial year the Group will seek to continue to expand sales of its existing brands both in the UK and internationally whilst ensuring its cost base remains appropriate for the Group's size of business.

Principal risks and uncertainties
The management of the business and the nature of the Group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

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

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 monitors fixed overheads against budget on a monthly basis and costs 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's its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

Approved by the Board and signed on its behalf

S Claydon

Director

7 June 2016

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	2016 £'000	2015 £'000
Revenue	1,169	666
Cost of sales	(488)	(260)
Gross profit	**681**	**406**
Administrative expenses:		
Advertising and promotional costs	(280)	(148)
Other administrative expenses	(470)	(563)
Share-based payment expense	(29)	-
Depreciation	(3)	(4)
Other operating income	4	23
Total administrative expenses	**(778)**	**(692)**
Operating loss	**(97)**	**(286)**
Finance expense	(1)	(3)
Loss before tax from continuing operations	**(98)**	**(289)**
Taxation	-	–
Loss for the year and total comprehensive expense	**(98)**	**(289)**
Loss per share		
Basic and diluted (pence per share)	(0.02)	(0.08)

Consolidated statement of financial position

as at 31 March 2016

	2016 £'000	2015 £'000
Assets		
Non-current assets		
Property, plant and equipment	3	6
Intangible assets	1,525	1,510
Total non-current assets	**1,528**	**1,516**
Current assets		
Inventories	204	230
Trade and other receivables	274	211

Cash and cash equivalents	982	511
Total current assets	**1,460**	**952**
Total assets	**2,988**	**2,468**
Liabilities		
Current liabilities		
Trade and other payables	(225)	(238)
Total current liabilities	**(225)**	**(238)**
Total liabilities	**(225)**	**(238)**
Net assets	**2,763**	**2,230**
Equity		
Equity attributable to equity holders of the parent company		
Share capital	1,290	1,227
Share premium	2,880	2,341
Share-based payment reserve	29	-
Retained earnings	(1,436)	(1,338)
Total equity	**2,763**	**2,230**

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	1,153	1,853	-	(1,049)	1,957
Issue of ordinary shares	74	488	-	-	562
Transactions with owners	74	488	-	-	562
Loss for the year and total comprehensive expense	-	-	-	(289)	(289)
Balance at 31 March 2015 and 1 April 2015	**1,227**	**2,341**	**-**	**(1,338)**	**2,230**
Issue of ordinary shares	63	539	-	-	602
Transactions with owners	63	539	-	-	602
Loss for the year and total comprehensive expense	-	-	-	(98)	(98)
Share based payment expense	-	-	29	-	29
Balance at 31 March 2016	**1,290**	**2,880**	**29**	**(1,436)**	**2,763**

Consolidated statement of cash flows

for the year ended 31 March 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Loss before taxation	(98)	(289)
Adjustments for:		
Finance expense	1	3

Depreciation	3	4
Share-based payment expense	29	-
	(65)	**(282)**
Movements in working capital		
Decrease/(increase) in inventories	26	(166)
(Increase)/decrease in trade and other receivables	(63)	150
Decrease in trade payables	(13)	(76)
Cash used in operations	**(50)**	**(92)**
Finance expense	(1)	(3)
Net cash used in operating activities	**(116)**	**(377)**
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(1)
Expenditure relating licenses and trademarks	(15)	(17)
Net cash used in investing activities	**(15)**	**(18)**
Cash flows from financing activities		
Proceeds from issue of shares net of issue costs	602	562
Net cash generated by financing activities	**602**	**562**
Net increase in cash and cash equivalents	471	167
Cash and cash equivalents at beginning of year	511	344
Cash and cash equivalents at end of year	**982**	**511**

1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2016. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

These consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company. Unless otherwise stated, all amounts are given in round £'000s.

Distil Plc is the Group’s ultimate parent company. The Company is a public limited company incorporated and domiciled in the United Kingdom. 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 First floor, 10-11 Moor Street, London W1D 5NF.

These results are audited; however, the financial information does not constitute statutory accounts as defined under section 434 of the Companies Act 2006. The consolidated balance sheet at 31 March 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's 2016 statutory consolidated financial statements upon which the auditor's opinion is unqualified.

The financial information for the year ended 31 March 2015 has been derived from the Group's statutory consolidated financial statements for that year, as filed with the Registrar of Companies. Those consolidated financial statements contained an unqualified audit report.

Copies of the Annual Report will be sent to shareholders shortly and will available on the Company's website www.distil.uk.com and from the Company's registered office.