Distil plc

("Distil" or the "Group")

Final Results for the Year Ended 31 March 2017

"Strong growth in brand volumes and revenues delivers maiden profit"

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 2017.

Operational review

- Sales volumes and revenues growing strongly across all trade channels
- Major distribution gains across both the On-Trade (pubs and bars) and Off Trade (retail) including independents, wholesale and nationwide chains.
- Launch of our proprietary packaging for RedLeg spiced rum.
- Increased investment in social media reach.

Financial review

- Turnover, supported by increased marketing investment, increases 40% to £1,642k from £1,169k
- Gross profit increased 40% from £681k to £950k
- Margins maintained at 58% for the same period, year-on-year
- Other administrative expenses increased 11%
- Operating profit of £10k compared to prior year loss of £97k
- Cash reserves of £910k at 31 March 2017

Don Goulding, Executive Chairman of Distil, said:

"We are pleased to report a profit on our owned brands for the first time. This represents a major milestone in the long-term development of our business and a platform on which to grow and expand. Our performance reflects the energy and focused efforts of our small but dedicated team. This together with further increases in marketing investment and promotional activity, helped drive broader reach to a greater number of consumers in a fast-moving market

We anticipate sustained growth of premium spirits and will therefore build on our proven marketing strategies to advance our brands. In addition, we are also exploring new products to build on the success of our existing brands"

Distil PLC	
Don Goulding, Executive Chairman	Tel: +44 207 352 2096

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Chairman's Statement

Results

I am pleased to report a year of significant progress and strong growth for Distil.

This growth is driven by our key brands which continued to outperform the market and their respective spirit categories.

As previously reported, we delivered growth in each quarter with full year sales revenue ahead 40%, gross profits increased by 40%, contribution margins were maintained at 34% and adjusted EBITDA (EBITDA adjusted for share-based expense) improved from £(65)k to £46k as we achieved a maiden profit of £10k (2016 : £(97)k).

We achieved a small profit over the year on our owned brands, for the first time - a major milestone in the long-term development of our business and a platform on which to grow and expand.

Our performance reflects the energy and focused efforts of our small but dedicated team. This, together with further increases in marketing investment and promotional activity, helped drive broader reach to a greater number of consumers in a fast-moving market.

UK

The overall spirits market grew ahead of beer and wine in both the on-trade and off-trade, with premium branded spirits providing the majority of that growth.

Our domestic sales revenue grew by 70% with further advances being made across all trade channels and regions on the back of major gains in the number of national brand stockists.

RedLeg Spiced Rum advanced by £324k or 63% in revenue as we broadened brand availability and marketing support leading to greater brand awareness, product trial and repeat purchases. I am particularly pleased with the positive consumer response to our new packaging. We continued to win awards for both our rum and our packaging.

Blackwoods Gin gained £189k or 41% on the back of increased marketing investment and strong consumer interest in premium gin and gin cocktails. Despite a growing number of gin brands entering the market, Blackwoods performed well.

International
Prior to the UK voting to leave the EU in June last year we moved to GBP invoicing for all exports. This helped offset subsequent currency movement following the referendum and our sales grew across Europe.

Blavod volume sales whilst showing an overall year-on-year decline in Eastern Europe returned to growth in the final quarter as Duty Free sales improved and we enjoyed repeat purchases in the USA.

Our ambition for RedLeg in the US has increased following its success in other key markets. We are therefore reviewing our distribution arrangements to ensure we have the appropriate reach and in-market support prior to launching the brand in that territory. More news will follow once negotiations have concluded.

Outlook
Consumer trends are moving at a more rapid pace providing great opportunities for those who stay close to the consumer and are then able to provide an agile response.

We anticipate sustained growth of premium spirits and will therefore build on our proven marketing strategies to advance our brands. In addition, we are also exploring new products to build on the success of our existing brands.

D Goulding
6 June 2017

Strategic report

Results for the year
The operating profit attributable to shareholders for the year amounted to £10k (2016: loss of £97k). The current year profit and prior year losses relate solely to continuing activities.

Sales volumes and revenues from our brands have shown strong growth during the year as we continue to focus on brand building through increased distribution, marketing and promotion. This growth has been primarily driven by strong performances from our RedLeg Spiced Rum and Blackwoods Vintage Gin brands. Further success in securing listings for these brands in major UK retail multiples and pub chains during the year has resulted in our achieving significant progress in the UK market.

The Group continues to minimize overheads where possible, whilst ensuring sufficient investment to support the growth in sales of its brands. During the year the Group increased headcount which partly contributed to an 11% increase in other administrative costs over the prior year.

The directors' primary focus has been that of returning the Group to a sustainable break even position and ultimately to turn a profit. Having achieved this goal in the current year the directors will seek to build on this success by further expanding sales of its key brands in domestic and international markets.

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 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 2017 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 £165k from £401k in 2016 to £566k in 2017. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a 37% increase in advertising and marketing costs during the year.

- **Sales volume versus prior year**

  Total volumes increased 31% year-on-year largely driven by a significant increase in volume sales of RedLeg Spiced Rum and Blackwoods Gin which showed year-on-year growth of 62% and 46% respectively. Blackwoods Vodka increased by 66% compared to the prior year whilst volume sales of Blavod Black Vodka showed an overall year-on-year decline in Eastern Europe although encouragingly, volume sales in that region returned to growth in the final quarter of the year.

- **Sales turnover versus previous year**

  Total sales increased 40% year-on-year. Notable within this was a 63% increase in sales of RedLeg Spiced Rum, driven by a significant increase in UK sales volumes. Sales of Blackwoods Gin and Blackwoods Vodka increased 41% and 82% respectively during the period, whilst sales of Blavod Black Vodka decreased by 55%.

- **Gross margin versus previous year**

  Gross margin as a percentage of sales was in line with prior year at 58%.

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 £104k from £280k to £384k 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 23% (2016: 24%) during the year.

Other administrative costs increased by £50k from £470k to £520k partly due to an increase in headcount during the year.

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
6 June 2017

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	2017 £'000	2016 £'000
Revenue	1,642	1,169
Cost of sales	(692)	(488)
Gross profit	**950**	**681**
Administrative expenses:		
Advertising and promotional costs	(384)	(280)
Other administrative expenses	(520)	(470)
Share-based payment expense	(32)	(29)
Depreciation	(4)	(3)
Other operating income	-	4
Total administrative expenses	**(940)**	**(778)**
Operating profit / (loss)	**10**	**(97)**
Finance expense	-	(1)
Profit / (loss) before taxation	**10**	**(98)**
Taxation	-	-
Profit / (loss) for the year and total comprehensive income / (expense)	**10**	**(98)**
Earnings / (loss) per share		
Basic and diluted (pence per share)	0.00	(0.02)

Consolidated statement of financial position
as at 31 March 2017

	2017 £'000	2016 £'000
Assets		
Non-current assets		
Property, plant and equipment	64	3
Intangible assets	1,535	1,525
Total non-current assets	**1,599**	**1,528**
Current assets		
Inventories	199	204
Trade and other receivables	329	274
Cash and cash equivalents	910	982
Total current assets	**1,438**	**1,460**
Total assets	**3,037**	**2,988**
Liabilities		
Current liabilities		
Trade and other payables	(227)	(225)
Total current liabilities	**(227)**	**(225)**
Total liabilities	**(227)**	**(225)**
Net assets	**2,810**	**2,763**

Equity		
Equity attributable to equity holders of the parent company		
Share capital	1,291	1,290
Share premium	2,884	2,880
Share-based payment reserve	61	29
Retained earnings	(1,426)	(1,436)
Total equity	**2,810**	**2,763**

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 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 and 1 April 2016	**1,290**	**2,880**	**29**	**(1,436)**	**2,763**
Share options exercised	1	4	-	-	5
Transactions with owners	**1**	**4**	**-**	**-**	**5**
Profit for the year and total comprehensive income	-	-	-	10	10
Share based payment expense	-	-	32	-	32
Balance at 31 March 2017	**1,291**	**2,884**	**61**	**(1,426)**	**2,810**

Consolidated statement of cash flows
for the year ended 31 March 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit / (loss) before taxation	10	(98)
Adjustments for:		
Finance expense	-	1
Depreciation	4	3
Share-based payment expense	32	29
	46	**(65)**
Movements in working capital		

Decrease in inventories	5	26
Increase in trade and other receivables	(55)	(63)
Increase/(decrease) in trade payables	2	(13)
Cash used in operations	**(48)**	**(50)**
Finance expense	-	(1)
Net cash used in operating activities	**(2)**	**(116)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(65)	-
Expenditure relating to licenses and trademarks	(10)	(15)
Net cash used in investing activities	**(75)**	**(15)**
Cash flows from financing activities		
Proceeds from share options exercised / issue of shares net of issue costs	5	602
Net cash generated by financing activities	**5**	**602**
Net (decrease) / increase in cash and cash equivalents	(72)	471
Cash and cash equivalents at beginning of year	982	511
Cash and cash equivalents at end of year	**910**	**982**

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1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2017. 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 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 2017 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 2017 statutory consolidated financial statements upon which the auditor's opinion is unqualified.

The financial information for the year ended 31 March 2016 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.