Distil Plc

(formerly Blavod Wines & Spirits PLC)

Annual report

Year Ended 31 March 2014

Registered in England and Wales: Company No: 03727483

Contents

Chairman's statement

In the year to 31 March 2014 the Group has steadily transformed its business model from one where we distributed both owned and third party agency spirits brands within the UK, direct to customers via our own direct sales force, to one where we now focus solely on the development of our owned brands. Sales are now made to distributors within each market leaving the Group to focus exclusively on brand development, distributor selection and support.

With this fundamental shift in business model has come an amount of key investment and expense. During the year investment in the development of our owned brands was incurred in the form of direct expense of £90k and tooling costs and product reconfiguration amounting to £22k. Expense has also been incurred in the form of redundancy and associated costs in relation to the former sales force amounting to £58k.

The ownership of our owned brand portfolio was consolidated in May 2013 with the completion of the acquisition of Blackwoods Gin and Vodka, Diva Vodka and Jago's cream liqueur. This, combined with the funding generated by the private placing in October 2013, has enabled the re-launch of Blackwoods Vintage Dry Gin and Blackwoods Limited Edition 60% ABV in September 2013 followed by Blackwoods Vodka in March 2014. All three have been well received and are now stocked in a growing list of UK bars and retail outlets.

The development of both Diva and Jago's is now nearing completion and we expect to announce the launches of these products later in the year.

Marketing and Distribution

During the year we ran a number of highly successful promotional events including the RedLeg Spiced Rum pop-up "Rum Shacks" which appeared across major cities in the UK including Edinburgh, Glasgow, Manchester, Leeds, Newcastle, London, Bristol and Brighton during November and December.

In January we signed an exclusive distribution agreement with Madrid based distributor The Water Company for an initial three year term to cover all Spanish territories, these represent the single largest gin market in Europe and the single largest rum market in the world.

Our agreement with Waldemar Behn GmbH & Co for production and distribution of Blavod Black Vodka in Germany continues to progress well and we have continued to see increased sales in new and existing European markets.

Discontinued Brands

Early in the year we announced that we would cease to be distributors of the Bruichladdich Distillery Brands as we unwound our activities with third party agency brands and concentrated on the development of our owned brands and we also announced in February this year that we would no longer distribute the Babco brand, Mickey Finn.

Name change

In line with the changing focus and nature of the business which is now predominantly a distilled spirits business, entirely focused on designing and marketing a growing portfolio of its own brand, it was agreed to change the name of the Group to Distil plc after the period end in April.

Placing

In October we raised £571k through a placing of 57.13 million New Ordinary Shares, these funds are being used for working capital, brand marketing and the activation and development of our new brands.

The loss for the year of £392k (2013: £738k of which £299k was non-recurring) is in line with our expectations. The Group has sufficient cash reserves to meet its needs as it steadily moves to the planned break even position.

D. Goulding

6 June 2014

Strategic report

Result for the year

The operating loss attributable to shareholders for the year amounted to £367k (2013: loss of £619k). The current year loss relates solely to ongoing activities. The prior year operating loss comprised £299k of non recurring expenses related to an aborted acquisition and a trading loss of £320k which related to ongoing activities.

Within the current year's expenses there has been significant expense incurred in changing the business model and investing in our owned brands as detailed in the Chairman's statement.

The directors' primary focus is to return the Group to a sustainable break even position and ultimately to turn to profit.

Principal activities and business review

Distil plc acts as a holding company for the entities in the Distil group (the "Group"). As detailed in the Chairman's statement the principal activity of the Group throughout the period under review was the marketing and selling of Blavod Black Vodka, Blackwoods Gin and Vodka and RedLeg Spiced Rum domestically and internationally and, prior to their steady transition out of the business, a number of third party agency brands of spirits in the UK.

The results for the 2014 financial year reflect the steady work in refocusing the business on its key owned brands, both the active brands detailed above and Diva and Jago's which are being rebranded ready for re-launch.

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 from owned brands fell £93k from £228k in 2013 to £136k in 2014. This result is after active spend on re-launching Blackwoods Gin and Vodka and preparing for the re-launch of Diva, Jago and the launch of another new brand under development in the amount of £111k. The benefits of this investment will be derived in 2015 and thereafter as the brands build distribution and consumer sales develop.

- **Sales volume versus prior year**
  Total volume of owned brands sold was flat year on year despite the lack of a US distributor for Blavod Black Vodka in 2014. Arrangements with the previous US distributor came to an end in 2013 as the Group chose to terminate the relationship and seek a new distributor. Volume increases following the successful re-launch of Blackwoods Gin and Vodka and the further increase in volumes of RedLeg Spiced Rum compensated for this shortfall.

- **Sales turnover versus previous year**
  For owned brands this increased by 7% year on year. Notable within this were the 36% increase in sales of Blackwoods Gin and 37% increase in RedLeg Spiced Rum which outweighed the temporary fall in sales of Blavod Black Vodka due to the lack of a US distributor.

  Agency brand sales fell by 46% year on year and, with the transfer out of agency brands nearly complete, these should be minimal in the year to 31 March 2015.

Strategic report (continued)

- **Gross margin versus previous year**

  Owned brand gross profit as a percentage of sales fell slightly from 48% to 46%. This is due to the move from direct sales in the UK to operating via a distributor with the associated benefit moving from gross margin to a reduction in overheads. Overall the margin movement was positive given tooling cost increases as we prepared for brand re-launches. These costs shaved 3% from the margin thereby demonstrating the continuing improvement in export margins as we carefully consolidate and in some cases establish new relationships with overseas distributors.

  We also closely monitor both the level of and the value derived from our advertising and promotional costs and other administrative expenses. Advertising and promotional costs on owned brands increased by £106k from £97k to £203k. Of this amount £90k related to investment in brand redesign and liquid development in preparation for re-launches.

  Other administrative expenses reduced by £283k from £1,011k to £728k. Within this figure the Group incurred £58k of redundancy and associated costs related to the redundancies announced in May 2013.

Future developments

The Group has historically carried a large proportion of its overheads as fixed costs. The effect of reducing overheads during the year to 31 March 2014 will enable the Group to sustain this annual cost reduction in the amount of approximately £325k over the overhead level of the previous year.

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 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.

Strategic report (continued)

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 part of 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.

By order of the Board

Sarah Bertolotti

Director

6 June 2014

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 1 and the strategic report commencing on page 2.

Results

The Group reports an operating loss attributable to shareholders for the year of £367k (2013: loss of £619k). The current year loss relates solely to ongoing activities. The prior year loss comprised £299k of non recurring expenses related to an aborted acquisition and a trading loss of £320k which related to ongoing activities.

Subsequent events

In October 2013, the Group served notice on its invoice discounting facility. This notice period came to an end on 28 April 2014 at which point the facility ceased.

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 18 to the financial statements.

Directors

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

S. Bertolotti	
D. Goulding	(Executive Chairman)
M. Quinn	(Non-executive)

Their remuneration is disclosed in Note 7 to the financial statements.

Qualifying third party indemnity provision

The Group maintains qualifying third party indemnity provision 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

Chantrey Vellacott DFK LLP has expressed its willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to re-appoint Chantrey Vellacott DFK LLP as auditor will be proposed at the Annual General Meeting to be held on 3 July 2014.

Directors' report (continued)

Going concern

The Group incurred a consolidated loss of £392k during the year under review. The Group also held cash reserves in the amount of £344k at the year-end following the private placing in October 2013.

The Group has prepared detailed three year forward forecasts for the business in its new format. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated. These forecasts demonstrate the Group's steady move forwards towards its planned break even position following its change in business model. The forecasts demonstrate that the current cash reserves are sufficient to meet the Group's needs for the foreseeable future.

For these reasons, the Group continues to adopt the going concern basis in preparing the report and accounts.

Statement of directors' responsibilities

The directors are responsible for preparing 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 consolidated financial statements under International Financial Reporting Standards as adopted by the European Union (IFRS) and the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed for the consolidated financial statements and UK Accounting Standards have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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.

Approved by the Board of Directors and signed on behalf of the board.

S. Bertolotti

Director
6 June 2014

Auditor's report on the consolidated financial statements

Independent auditor's report to the members of Distil plc

We have audited the consolidated financial statements of Distil plc for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Auditor’s report on the consolidated financial statements (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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.

Ian Staunton
Senior Statutory Auditor
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

6 June 2014

Consolidated statement of comprehensive income

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Revenue		2,405	3,785
Cost of sales		(1,830)	(2,908)
Gross profit		**575**	**877**
Administrative expenses:			
Advertising and promotional costs		(235)	(177)
Other administrative expenses		(714)	(1,011)
Depreciation and amortisation	10	(7)	(9)
Non recurring expenses	2	–	(299)
Other operating income		14	–
Total administrative expenses		**(942)**	**(1,496)**
Operating loss	6	**(367)**	**(619)**
Finance expense	8	(25)	(119)
Loss before tax from continuing operations		**(392)**	**(738)**
Taxation	9	–	–
Loss for the year and total comprehensive expense		**(392)**	**(738)**
Loss per share			
Basic and diluted (pence per share)	4	(0.12)	(0.40)

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

Consolidated balance sheet

as at 31 March 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	9	17
Intangible assets	11	1,493	1,418
Total non-current assets		**1,502**	**1,435**
Current assets			
Inventories	12	64	361
Trade and other receivables	13	361	628
Cash and cash equivalents	14	344	60
Total current assets		**769**	**1,049**
Total assets		**2,271**	**2,484**
Liabilities			
Current liabilities			
Trade and other payables	15	(314)	(428)
Finance facility liability	16	–	(259)
Total current liabilities		**(314)**	**(687)**
Total liabilities		**(314)**	**(687)**
Net assets		**1,957**	**1,797**
Equity			
Equity attributable to equity holders of the parent company			
Share capital	17	1,153	1,096
Share premium		1,853	1,358
Retained deficit		(1,049)	(657)
Total equity		**1,957**	**1,797**

The financial statements were approved and authorised for issue by the Directors on 6 June 2014 and were signed on their behalf by:

D. Goulding
Director

S. Bertolotti
Director

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

Consolidated statement of changes in equity

for the year ended 31 March 2014

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2012	878	–	81	959
Issue of ordinary shares at a premium (note 17)	218	1,358	–	1,576
Transactions with owners	**218**	**1,358**	**–**	**1,576**
Loss for the year and total comprehensive expense	–	–	(738)	(738)
Balance at 31 March 2013 and 1 April 2013	**1,096**	**1,358**	**(657)**	**1,797**
Issue of ordinary shares at a premium (note 17)	57	495	–	552
Transactions with owners	**57**	**495**	**–**	**552**
Loss for the year and total comprehensive expense	–	–	(392)	(392)
Balance at 31 March 2014	**1,153**	**1,853**	**(1,049)**	**1,957**

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

Consolidated cash flow statement

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Loss before taxation		(392)	(738)
Adjustments for:			
Finance expense		25	119
Depreciation		7	9
Loss on disposal of property, plant and equipment		2	–
		(358)	**(610)**
Movements in working capital			
Decrease/(increase) in inventories		297	(27)
Decrease in trade and other receivables		267	350
Decrease in trade payables		(114)	(446)
Cash generated/(used in) by operations		**450**	**(123)**
Net finance expense		(25)	(58)
Net cash generated/(used in) by operating activities		**67**	**(791)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1)	(2)
Expenditure relating to the acquisition of licences and trade marks		(75)	(15)
Net cash used in investing activities		**(76)**	**(17)**
Cash flows from financing activities			
Proceeds from issue of shares net of issue costs		552	1,139
Net cash repaid to finance facility		(259)	(348)
Net cash generated by financing activities		**293**	**791**
Net increase/(decrease) in cash and cash equivalents		284	(17)
Cash and cash equivalents at beginning of year		60	77
Cash and cash equivalents at end of year	14	**344**	**60**

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

Notes to the consolidated financial statements

for the year ended 31 March 2014

1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2014. 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. 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 the United Kingdom. The address of Distil plc's registered office and its principal place of business is 3rd Floor, Cardinal House, 39/40 Albemarle Street, London W1S 4TE.

Going concern
The Group incurred a consolidated loss of £392k during the year under review. The Group also held cash reserves in the amount of £344k at the year-end following the private placing in October 2013.

The Group has prepared detailed three year forward forecasts for the business in its new format. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated. These forecasts demonstrate the Group's steady move forwards towards its planned break even position following its change in business model. The forecasts demonstrate that the current cash reserves are sufficient to meet the Group's needs for the foreseeable future.

For these reasons, the Group continues to adopt the going concern basis in preparing the report and accounts.

New standards, amendments and interpretations
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted by the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 10 "Consolidated Financial Statements" (effective for accounting periods beginning 1 January 2014)
IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure of rights to variable returns and the ability to affect those returns through power over the investee.

IFRS 12 "Disclosures of Interests in Other Entities" (effective for accounting periods beginning 1 January 2014)
IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in its subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

IAS 36 "Impairment of assets" (effective for accounting periods beginning 1 January 2014)
IAS 36 seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use).

The directors have not yet evaluated the effect of these standards on the financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2014

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

Basis of consolidation

The consolidated financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 March 2014. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Intra-group transactions and profits are eliminated fully on consolidation.

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

Foreign currencies

i) Presentational 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 consolidated financial statements of the Group are presented in Pounds Sterling which is the Group's presentational currency.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Segment reporting

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, being the executive directors. Information provided for internal reporting purposes is analysed by owned brands and managed third-party brands.

Owned brands include Blavod Black Vodka, Blackwoods Gin and Vodka and RedLeg Rum, whilst managed agency brands include Mickey Finn, Bruichladdich, Fernet Branca, Heaven Hill and Hapsburg.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements except that expenses relating to share-based payments are not included in arriving at the operating profit of the segments. General overheads, including staff costs, are not allocated to specific segments as it is not possible to do so as these costs are incurred in activities associated with both operating segments.

Property, plant and equipment

Property, plant and equipment is 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 income statement over its useful economic life as follows:

Computer equipment	20% to 33% on a straight line basis
Fixtures and fittings	12% to 33% on a straight line basis
Office equipment	14% to 20% 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 income statement.

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.

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

Leased assets
Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight line basis over the term of the lease.

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 trademarks. The Group carries out an annual impairment review as the assets are considered to have an indefinite useful economic life.

Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. In particular, the Group performs a discounted cash flow analysis at least annually to compare discounted estimated future operating cash flows with asset carrying values. The estimated cash flows are discounted at the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets.

The tests are dependent on management's estimates and judgement, in particular in relation to the forecasting of future cash flows. Such estimates and judgements are subject to change as a result of changing economic conditions. Management attempts to make the most appropriate estimates but actual cash flows may be different. Where impairments are identified the loss is recognised in the income statement of the Group.

Invoice discounting facility
During the year the Group had in place an invoice discount facility based on the value of trade receivables. Under this arrangement the Group had retained both the credit and late payment risk associated with the receivables. As the Group had retained substantially all the risk and rewards of ownership of the receivables, it continues to recognise the receivables in the balance sheet with advances from the facility provider treated as a separate liability.

The expenses associated with this facility are included within finance expense within the consolidated income statement.

This facility came to an end on 28 April 2014.

Cash and cash equivalents
Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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.

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

Financial assets
Financial assets can be divided into the following categories:

- loans and receivables
- financial assets at fair value through profit and loss
- available-for-sale financial assets
- held-to-maturity investments

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in profit or loss or charged directly against equity.

Loans and receivables 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 profit or loss. The Group's trade and other receivables fall into this category of financial instruments.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific third party will default.

Financial liabilities
The Group's financial liabilities include trade and other payables. 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 are included in the income statement line items "finance expense" or "finance income".

Employee benefits
Defined contribution pension scheme
Pension contributions to personal pension schemes are charged to the income statement in the period in which they occur. There is no Group pension scheme in operation.

Share-based compensation
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 credited to retained earnings. The level of vesting is reviewed annually and the charge is adjusted to reflect actual and estimated levels of vesting.

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 expenses of the share issue.
- Retained earnings represents accumulated profits and losses from incorporation.

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

Revenue recognition
Revenue comprises revenue from the sale of goods.

Revenue from the sale of goods supplied is measured by reference to consideration received or receivable by the Group. Revenue is stated excluding excise duty, and excluding VAT, and is net of rebates and trade discounts.

Revenue on goods supplied is recognised at the point of delivery.

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 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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except 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.

Significant judgements and estimates
The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements 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. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Classification of invoice discounting facilities in the cash flow statement
IAS 7 does not provide guidance on the treatment of factored debts in a cash flow statement. The invoice discounting facility factors debts with recourse, with the advances from the factor treated as financing creditors in the balance sheet. IAS 7 requires cash flows to be analysed under the standard headings according to the substance of the transactions that give rise to them. Cash inflows and outflows relating to the invoice discounting facility are assessed to be a financing cash flow. This results in operating cash flows including the cash flows from the receivables as if the factoring had not been entered into. It also results in financing cash flows as if the receivables had been financed by a loan. Management feel this method of presentation best reflects the substance of the relationship entered into.

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 above, under the accounting policy for intangible assets.

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 in full. However, management does not consider it appropriate to recognise a deferred tax asset where there is uncertainty over the amount of future profits.

Notes to the consolidated financial statements

for the year ended 31 March 2014

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

Blackwoods Gin Licence

During the 2008/9 financial year the Group purchased the licence to distribute Blackwoods Gin. From post year 3 of the purchase to post year 7, a profit share is payable to the vendor amounting to 35% of the net profits before tax attributable to the Blackwoods products. As use of the licence is wholly within the gift of the Group, management do not consider there to be a financial liability in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Management deem the appropriate treatment in this instance is to follow 'IAS 37 Provisions, Contingent Liabilities and Contingent Assets' and assess the liability at each period end with corresponding amounts being taken to the cost of the licence. This assessment is reviewed at each period end. This licence agreement was terminated on 24 May 2013. On that date Distil plc was assigned all of the IP in relation to the Blackwoods Licence. Accordingly no further profit share amounts are payable.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses it best estimates about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2 Non recurring expenses

During the prior year the Group attempted to acquire a company in order to expand its portfolio and enhance shareholder value. The acquisition was aborted when the acquisition process was already well advanced. The Group incurred £299k of fees associated with professional adviser and regulatory compliance. These costs were non recurring.

3 Subsequent events

In October 2013, the Group served notice on its invoice discounting facility. This notice period came to an end on 28 April 2014 at which point the facility ceased.

4 Loss per share

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

The diluted loss per share is identical to the basic loss per share as the exercise of warrants and options would be anti-dilutive as the market value of ordinary shares is less than the exercise price of the warrants and options granted.

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

	2014	**2013**
Loss attributable to ordinary shareholders (£'000)	(392)	(738)
Weighted average number of shares (used for basic earnings per share)	329,737,107	185,265,555
Basic and diluted per share (pence)	(0.12)	(0.40)

Notes to the consolidated financial statements

for the year ended 31 March 2014

5 Segment reporting

	Owned	Third party	Unallocated	2014 Total	Owned	Third party	Unallocated	2013 Total
Revenue	730	1,675	–	2,405	681	3,104	–	3,785
Cost of sales	(392)	(1,438)	–	(1,830)	(355)	(2,553)	–	(2,908)
Gross profit	**338**	**237**	**–**	**575**	**326**	**551**	**–**	**877**
Advertising and promotional costs	(203)	(32)	–	(235)	(97)	(80)	–	(177)
Contribution	**135**	**205**	**–**	**340**	**229**	**471**	**–**	**700**
Employee and director benefits expense	–	–	(432)	(432)	–	–	(641)	(641)
Depreciation and amortisation of non financial assets	–	–	(7)	(7)	–	–	(9)	(9)
Other expenses	–	–	(282)	(282)	–	–	(370)	(370)
Other expenses – non recurring	–	–	–	–	–	–	(299)	(299)
Other income	–	–	14	14	–	–	–	–
Operating profit/(loss)	**135**	**205**	**(707)**	**(367)**	**229**	**471**	**(1,319)**	**(619)**
Finance expense	–	–	(25)	(25)	–	–	(119)	(119)
Profit/(loss) before tax	**135**	**205**	**(732)**	**(392)**	**229**	**471**	**(1,438)**	**(738)**
Assets	**1,553**	**4**	**719**	**2,276**	**1,501**	**277**	**706**	**2,484**

All third party revenues and gross profits are earned in the UK from the distribution of agency brands. Export revenue represents 32% (2013: 61%) of owned brand revenues and 60% (2013: 65%) of owned brand gross profit. The balance of owned brand revenue and gross profit is earned in the UK.

During 2014, 44% of the Group's revenues depended on a single customer (2013: 31%). During 2014, 20% of the Group's revenues depended on a second single customer (2013: 11%).

Neither employee and director benefits expense nor depreciation and amortisation of non financial assets can be allocated to the two main segments as they are incurred in activities associated with both segments.

Additions to intangible assets in the year totalled £75k (2013: £15k) all relate to owned brands.

6 Operating loss

Operating loss is stated after charging/(crediting):

	2014 £'000	2013 £'000
Depreciation	**7**	9
Loss on disposal of property, plant and equipment	**2**	–
Operating lease rental payments on land and buildings	**49**	49
Foreign exchange loss/(gain)	**–**	(3)

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

	2014 £'000	2013 £'000
Audit of the annual financial statements	**10**	10
Audit of the financial statements of the Groups subsidiaries	**7**	12
Tax services	**3**	10
Other services pursuant to legislation	**–**	16
	20	48

Notes to the consolidated financial statements

for the year ended 31 March 2014

7 Directors and employees

	2014 £'000	2013 £'000
Staff costs		
Wages and salaries	**407**	593
Social security costs	**20**	36
Pension costs	**5**	13
	432	642

	No.	No.
Average monthly number of persons employed (including directors)	**6**	10

	2014 £'000	2013 £'000
Remuneration of directors		
Emoluments for qualifying services	**153**	180
	153	180

The directors are considered to be the key management personnel. The number of directors acquiring benefits under money purchase pension scheme arrangements was nil (2013: nil).

Individual director's emoluments and compensation

	Salaries and fees £'000	2014 Total £'000	2013 Total £'000
S. Bertolotti	44	44	71
D. Goulding	99	99	99
M. Quinn	10	10	10
Total	**153**	**153**	**180**

8 Finance expense

	2014 £'000	2013 £'000
Finance expense		
Interest expense on convertible loan note	–	(60)
Finance costs associated with finance facility	(25)	(59)
	(25)	**(119)**

Notes to the consolidated financial statements

for the year ended 31 March 2014

9 Taxation

Reconciliation of the effective tax rate

	2014 £'000	2013 £'000
Loss before taxation	(392)	(738)
Loss before tax multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	(90)	(177)
Effects of:		
Expenses not deductible for tax purposes	5	86
Change in unrecognised deferred tax assets	85	91
Tax expense	**–**	**–**

The amount of the unrecognised deferred tax is as follows:

	2014 £'000	2013 £'000
Unutilised losses	2,279	2,564
Unrecognised deferred tax	**2,279**	**2,564**

A deferred tax asset in respect of losses has not been recognised due to the uncertainty over the timing of future profits and gains.

10 Property, plant and equipment

	Computer equipment £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2012	34	15	7	56
Additions	2	–	–	2
At 31 March 2013	36	15	7	58
Additions	–	–	1	1
Disposals	(22)	(5)	(5)	(32)
At 31 March 2014	**14**	**10**	**3**	**27**
Accumulated depreciation				
At 1 April 2012	17	11	4	32
Charge for the year	7	1	1	9
At 31 March 2013	24	12	5	41
Charge for the year	6	1	–	7
Disposals	(20)	(5)	(5)	(30)
At 31 March 2014	**10**	**8**	**–**	**18**
Net book value				
At 31 March 2014	**4**	**2**	**3**	**9**
At 31 March 2013	12	3	2	17

Notes to the consolidated financial statements

for the year ended 31 March 2014

11 Intangible assets – trademarks

	2014 £'000	2013 £'000
Cost		
At 1 April	1,935	1,920
Additions	75	15
At 31 March	**2,010**	**1,935**
Amortisation and impairment		
At 1 April 2013 and 31 March 2014	**517**	**517**
Net book value	**1,493**	**1,418**

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.

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. 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 and terminal values.

Cash flows are forecast for each brand for the next financial year in the Group's annual financial plan, which is approved by the board and reflects management's expectations of sales volume growth, 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 discount rate of 10%. Value-in-use calculations cover a ten year period as, as noted above, the nature of the premium drinks industry is such that obsolescence is not a common issue. Management have prepared detailed forecasts for each individual brand name for the next three years. Higher level forecasts have been prepared which assume 5% growth in years 4 and 5 for each brand name. No growth has been assumed in years 6 to 10 for each brand name.

Any impairment write downs are charged to other administrative expenses in the income statement. In the year ended 31 March 2014 and the year ended 31 March 2013 there was no impairment.

It remains possible that changes in assumptions could also arise in excess of those indicated in the table above. The principal trademarks of the company are Blavod Black Vodka and Blackwoods Gin. The net book values of Blavod Black Vodka and Blackwoods Gin were £607k (2013: £604k) and £835k (2013: £770k) 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 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.

The table below shows the impairment charge that would be required if the assumptions in the calculation of their value in use were changed:

	5% increase in discount rate £'000	10% decrease in long term growth rate £'000
Blackwoods	–	–
Other brands	–	–

Notes to the consolidated financial statements

for the year ended 31 March 2014

12 Inventories

	2014 £'000	2013 £'000
Finished goods	**64**	**361**

In 2014, a total of £1,830k of inventories was included in the income statement as an expense (2013: £2,908k).

13 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	303	695
Less provision for impairment of trade receivables	(43)	(90)
Net trade receivables	260	605
Other receivables	58	–
Prepayments and accrued income	43	23
	361	**628**

The carrying value of trade and other receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £43k (2013: £90k) has been recorded accordingly. The impaired trade receivables are mostly due from customers that are experiencing difficult market conditions, or the amounts owing are subject to further discussion.

Provision for impairment

	2014 £'000	2013 £'000
At 1 April	90	35
Created in year	-	78
Utilised in year	(27)	(23)
Released in year	(19)	-
At 31 March	**43**	**90**

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2014 £'000	2013 £'000
Not more than 3 months	–	105
More than 3 months, but not more than 6 months	1	49
More than 6 months, but not more than 1 year	12	1
	13	**155**

14 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents	**344**	**60**

Notes to the consolidated financial statements

for the year ended 31 March 2014

15 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	176	368
Other payables including taxation and social security	3	15
Accruals	135	45
	314	**428**

All amounts detailed above are payable within one year. The fair values of trade and other payables are not materially different from those disclosed above.

16 Finance facility liability

	2014 £'000	2013 £'000
Finance facility liability	–	**259**

The Group holds a contract with a leading invoice discounting house to provide a substantial finance facility based on the value of the trade receivables. The facility is secured via a fixed charge over the assets of the Group's principal trading subsidiary, Distil Company Limited (formerly Blavod Drinks Limited). Further to the Group's refinancing in October 2013, the finance facility was paid down and notice served on the agreement. The agreement came to an end at the end of the notice period on 28 April 2014. At the year end the balance between the finance facility provider and the Group was a cash balance in the amount of £38k (2013: £nil). This amount is included within the cash balances in Note 14.

17 Share capital

(a) Share capital

	2014		2013	
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 0.1p each	363,232,507	363	306,102,507	306
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**450,991,015**	**1,153**	**393,861,015**	**1,096**

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, 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.

On 23 October 2013, the Company allotted 57,130,000 ordinary shares of 0.1 pence per share for consideration of 1.00 pence per share. The premium of £514k arising on this share allotment has been credited to the share premium account.

Costs directly attributable to the share issue have been debited to the share premium account and total £19k (2013: £61k).

(b) Share options

One employee holds options to subscribe for ordinary shares in the company under a share option scheme approved by the directors on 9 July 2002. 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.

17 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
4 July 2008	2,965,000	100% Vested under EMI Scheme	10 years
4 July 2008	900,000	3 years	10 years
	4,865,000		

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

	2014		2013	
	Weighted average exercise price pence	**Number of options**	**Weighted average exercise price pence**	**Number of options**
Outstanding at the beginning of the period	5.0	425,000	5.00	595,000
Lapsed during the period	5.0	(255,000)	5.00	(170,000)
Outstanding at the end of the period	**5.0**	**170,000**	**5.0**	**425,000**
Exercisable at the end of the period	5.0	170,000	5.0	425,000

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**	**2014**	**2013**
2018	5.00	170,000	425,000

The remaining contractual life for the options outstanding is 4.25 years (2013: 5.25 years).

The outstanding options were issued during 2009. The fair value of options granted during 2009, determined using the Black-Scholes valuation model, was 2 pence. The significant inputs were a weighted average share price of 4 pence at grant date, an exercise price of 5 pence per share, volatility of 60%, an expected option life of five years and an annual risk-free interest rate of 4.91%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

Warrants

The following hold warrants over ordinary shares in the company:

	No. of warrants	Equivalent shares	Conversion price
Laurus Master Fund Limited	2,250,000	2,250,000	18.5p

Notes to the consolidated financial statements

for the year ended 31 March 2014

18 Financial instruments

The principal financial assets of the Group are bank balances and cash, trade and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. Its principal financial liabilities are trade and other payables that arise directly from its operations and trade finance facilities. All financial assets are classified as loans and receivables.

Credit risk analysis
The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below. All classes relate to financial assets classified as loans and receivables.

	2014 £'000	2013 £'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	344	60
Trade and other receivables	260	605

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for 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 no significant concentration of risk, with exposure spread over a large number of third parties and customers.

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

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 2014, 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Finance facility	–	259	–	–	–	–
Trade payables	176	368	–	–	–	–
Total financial liabilities at amortised cost	**176**	**627**	**–**	**–**	**–**	**–**

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

19 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.

Notes to the consolidated financial statements

for the year ended 31 March 2014

20 Financial commitments – operating leases

Operating lease commitments relate to the rental of office space.

	Land and buildings	
	2014 **£'000**	**2013** **£'000**
Total minimum operating lease payments due:		
Within one year	49	49
One to five years	82	139
	131	188

21 Related party transactions

Landlord: The landlord charged the group £73k, (2013: £70k) in respect of rent and associated costs. The landlord is Raymond Estates Limited which is considered to be a related party due to a common director. The amount due to Raymond Estates Limited at 31 March 2014 was £nil (2013: £nil).

Auditor's report on the parent company financial statements

Independent auditor's report to the members of Distil plc

We have audited the parent company financial statements of Distil plc for the year ended 31 March 2014 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ian Staunton
Senior Statutory Auditor
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

6 June 2014

Parent company balance sheet

Company No: 03727483

as at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	4	–	–
Intangible assets	5	1,493	1,418
		1,493	1,418
Current assets			
Debtors	6	5	7
Total current assets		5	7
Creditors: amounts falling due within one year	7	(646)	(969)
Net current liabilities		**(641)**	**(962)**
Net assets		**852**	**456**
Capital and reserves			
Called up share capital	8	1,153	1,096
Share premium	9	1,853	1,358
Profit and loss account	9	(2,154)	(1,998)
Shareholders' funds	10	**852**	**456**

The financial statements were approved and authorised for issue by the directors on 6 June 2014 and were signed on their behalf by:

D. Goulding
Director

S. Bertolotti
Director

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

Notes to the parent company financial statements

for the year ended 31 March 2014

1 Basis of preparation

The financial statements are for the year ended 31 March 2014. They have been prepared in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared under the historical cost convention.

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account for the company has not been included in these financial statements. Distil plc reported a loss of £156k (2013: loss of £459k). The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with Group companies.

The Companies Act 2006 requires intangible assets to be amortised systematically over their useful economic lives. Management consider the company's brands to have an indefinite useful life and have invoked the true and fair override. A policy of non-amortisation has therefore been adopted to ensure the accounts show a true and fair view. Intangible assets are reviewed annually for impairment. An impairment charge in the amount of £Nil (2013: £Nil) was recorded in the year. Had intangible assets been amortised over a period of 20 years the charge would have been 102k (2012: £96k).

2 Summary of significant accounting policies

Going concern
The Group incurred a consolidated loss of £392k during the year under review. The Group also held cash reserves in the amount of £344k at the year-end following the private placing in October 2013.

The Group has prepared detailed three year forward forecasts for the business in its new format. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated. These forecasts demonstrate the Group's steady move forwards towards its planned break even position following its change in business model. The forecasts demonstrate that the current cash reserves are sufficient to meet the Group's needs for the foreseeable future.

For these reasons, the Group continues to adopt the going concern basis in preparing the report and accounts.

Fixed asset investments
The company's investments in subsidiary companies are stated at cost less provisions for impairment. Any impairment is charged to the profit and loss account as it arises.

Intangible assets
The company's intangible assets consist of expenditure trademarks. These assets are not amortised as the useful economic life of these assets is considered to be indefinite.

Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amount. In particular, the company performs a discounted cash flow analysis at least annually to compare discounted estimated future operating cash flows with asset carrying values. The estimated cash flows are discounted at the estimated current market risk-free rate of interest adjusted for the estimated risk associated with the intangible asset.

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the parent company financial statements

for the year ended 31 March 2014

Share-based compensation

A fair value for equity settled share awards is measured at the date of grant. The company 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 credited to reserves. The level of vesting is reviewed annually and the charge is adjusted to reflect actual and estimated levels of vesting.

3 Auditor's remuneration

	2014 £'000	2013 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	10	10

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as this information has been disclosed in the consolidated financial statements of the company.

4 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2013 and 31 March 2014	33
Provision for impairment	
At 1 April 2013 and 31 March 2014	33
Net book value	
At 1 April 2013 and at 31 March 2014	**–**

Investments comprise the following principal subsidiary companies:

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

5 Intangible assets – trademarks

	2014 £'000
Cost	
At 1 April 2013	1,440
Additions	75
At 31 March 2014	**1,515**
Amortisation and impairment	
At 1 April 2013 and 31 March 2014	**22**
Net book value	
– at 31 March 2014	**1,493**
– at 31 March 2013	1,418

Each year the directors perform an impairment review as explained more fully in Note 11 to the consolidated financial statements. No impairment was identified in any brand as a result of this review.

Notes to the parent company financial statements

for the year ended 31 March 2014

6 Debtors

	2014 £'000	2013 £'000
Prepayments	5	7
	5	**7**

7 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to subsidiary undertakings	612	929
Accruals and deferred income	34	40
	646	**969**

8 Called up share capital

Share capital

	2014		2013	
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 0.1p each	363,232,507	363	306,102,507	306
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**450,991,015**	**1,153**	**393,861,015**	**1,096**

The ordinary shares confer the right to receive dividends, 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 of the company, 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.

On 23 October 2013, the company allotted 57,130,000 ordinary shares of 0.1 pence per share for consideration of 1.00 pence per share. The premium of £514k arising on this share allotment has been credited to the share premium account.

Costs directly attributable to the share issue have been debited to the share premium account and total £19k (2013: £61k).

9 Reserves

	Share premium £'000	Profit and loss account £'000
At 1 April 2013	1,358	(1,998)
Premium arising on share issue	495	–
Loss for the financial year	–	(156)
At 31 March 2014	**1,853**	**(2,154)**

Notes to the parent company financial statements

for the year ended 31 March 2014

10 Reconciliation of movement in shareholders' funds

	2014 £'000	2013 £'000
Loss for the financial year	(156)	(459)
Shares issued in the year	552	1,576
Net increase in shareholders' funds	396	1,117
Shareholders' funds at 1 April	456	(661)
Shareholders' funds at 31 March	**852**	**456**

11 Share based payments

Details of share options and warrants issued by the company are set out in Note 17 to the consolidated financial statements.

Directors and advisers

Directors	D. Goulding (Executive Chairman) S. Bertolotti M. Quinn (Non-executive)
Secretary	S. Bertolotti
Registered office	3rd Floor, Cardinal House 39/40 Albemarle Street London W1S 4TE
Company's registered number	England and Wales 03727483
Auditor	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Bankers	Barclays Bank Plc 50 Pall Mall London SW1A 1QA
Nominated adviser	SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4BH
Broker	SI Capital Limited 1 High Street Godalming Surrey GU7 1AZ
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Solicitors	Ronaldsons LLP 55 Gower Street London WC1E 6HQ
Tax adviser	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF

Designed and printed by Perivan 232299

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