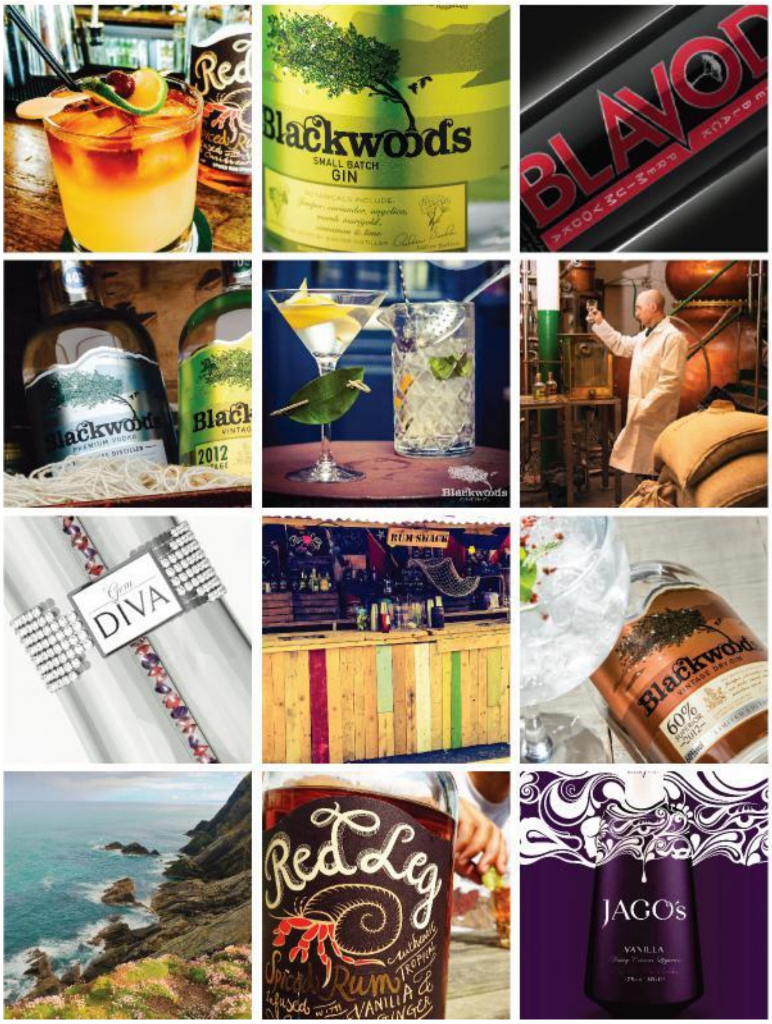
Distil Plc

Annual Report Year Ended 31 March 2016

Registered in England and Wales Company Number 03727483



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Chairman's statement

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

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

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

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

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

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

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

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

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

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

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

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

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

D Goulding
7 June 2016

Strategic report

Results for the year

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

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

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

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

Principal activities and business review

Distil Plc acts as a holding company for the entities in the Distil Plc group (the "Group"). The principal activity of the Group throughout the period under review was the marketing and selling of Blavod Black Vodka, Blackwoods Gin and Vodka, Diva Vodka, Jago's Vanilla Cream Liqueur and RedLeg Spiced Rum domestically and internationally.

The results for the 2016 financial year reflect the continued focus on investing in the Group's key brands to drive top line growth in both domestic and international markets whilst ensuring overhead costs remain appropriate for the size of the Group.

Key performance indicators

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

- **Contribution – defined as gross margin less advertising and promotional costs**
  Contribution increased £143k from £258k in 2015 to £401k in 2016. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a reduction in gross margin and an 89% increase in advertising and marketing costs during the year.

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

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

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

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

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

Strategic report (continued)

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 cost saving exercises are implemented wherever possible when there is an anticipated decline in revenues.

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

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

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

Approved by the Board and signed on its behalf

S Claydon

Director

7 June 2016

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 pages 1 and in the strategic report commencing on page 2.

Results
The Group reports an operating loss for the year of £97k (2015: loss of £286k). The current year and prior year loss relates solely to ongoing activities.

Subsequent events
There have been no significant subsequent events to note.

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

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

D Goulding	(Executive Chairman)
S Claydon	(Finance Director)
M Quinn	(Non-executive)

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

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

Statement of disclosure to auditor

The directors confirm that:

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

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

Auditor
Moore Stephens LLP has expressed its willingness to continue in office. In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting to be held on 4 July 2016.

Directors' report (continued)

Going concern

The Group incurred a consolidated loss of £98k during the year under review and held cash reserves in the amount of £982k at the year-end, following the placing in March 2016.

The Group has prepared detailed three year forward forecasts for the business. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated. 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 a period of at least 12 months from the date of signing the financial statements.

For these reasons, the Group continues to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- 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.

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

Approved by the Board and signed on its behalf

S Claydon
Director
7 June 2016

Independent auditor's report

Independent auditor's report to the members of Distil Plc

We have audited the financial statements of Distil Plc for the year ended 31 March 2016 which are set out on pages 7 to 29. 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 and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the 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 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Moore Stephens LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

7 June 2016

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue		1,169	666
Cost of sales		(488)	(260)
Gross profit		**681**	**406**
Administrative expenses:			
Advertising and promotional costs		(280)	(148)
Other administrative expenses		(470)	(563)
Share-based payment expense		(29)	-
Depreciation	10	(3)	(4)
Other operating income		4	23
Total administrative expenses		**(778)**	**(692)**
Operating loss	5	**(97)**	**(286)**
Finance expense	8	(1)	(3)
Loss before tax from continuing operations		**(98)**	**(289)**
Taxation	9	-	–
Loss for the year and total comprehensive expense		**(98)**	**(289)**
Loss per share			
Basic and diluted (pence per share)	3	(0.02)	(0.08)

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

Consolidated statement of financial position

as at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	3	6
Intangible assets	11	1,525	1,510
Total non-current assets		**1,528**	**1,516**
Current assets			
Inventories	12	204	230
Trade and other receivables	13	274	211
Cash and cash equivalents	14	982	511
Total current assets		**1,460**	**952**
Total assets		**2,988**	**2,468**
Liabilities			
Current liabilities			
Trade and other payables	15	(225)	(238)
Total current liabilities		**(225)**	**(238)**
Total liabilities		**(225)**	**(238)**
Net assets		**2,763**	**2,230**
Equity			
Equity attributable to equity holders of the parent company			
Share capital	16	1,290	1,227
Share premium		2,880	2,341
Share-based payment reserve		29	-
Retained earnings		(1,436)	(1,338)
Total equity		**2,763**	**2,230**

The financial statements were approved and authorised for issue by the Board on 7 June 2016 and signed on its behalf by:

D Goulding
Director

S Claydon
Director

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

Company statement of financial position

as at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investments	6	-	-
Intangible assets	11	1,525	1,510
Total non-current assets		**1,525**	**1,510**
Current assets			
Trade and other receivables	13	209	5
Total current assets		**209**	**5**
Total assets		**1,734**	**1,515**
Liabilities			
Current liabilities			
Trade and other payables	15	(11)	(260)
Total current liabilities		**(11)**	**(260)**
Total liabilities		**(11)**	**(260)**
Net assets		**1,723**	**1,255**
Equity			
Share capital	16	1,290	1,227
Share premium		2,880	2,341
Share-based payment reserve		29	-
Retained earnings		(2,476)	(2,313)
Total equity		**1,723**	**1,255**

The financial statements were approved and authorised for issue by the Board on 7 June 2016 and signed on its behalf by:

D Goulding
Director

S Claydon
Director

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

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	1,153	1,853	-	(1,049)	1,957
Issue of ordinary shares (note 16)	74	488	-	-	562
Transactions with owners	74	488	-	-	562
Loss for the year and total comprehensive expense	-	-	-	(289)	(289)
Balance at 31 March 2015 and 1 April 2015	**1,227**	**2,341**	**-**	**(1,338)**	**2,230**
Issue of ordinary shares (note 16)	63	539	-	-	602
Transactions with owners	63	539	-	-	602
Loss for the year and total comprehensive expense	-	-	-	(98)	(98)
Share based payment expense	-	-	29	-	29
Balance at 31 March 2016	**1,290**	**2,880**	**29**	**(1,436)**	**2,763**

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

Company statement of changes in equity

for the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	1,153	1,853	-	(2,154)	852
Issue of ordinary shares (note 16)	74	488	-	-	562
Transactions with owners	74	488	-	-	562
Loss for the year and total comprehensive expense	-	-	-	(159)	(159)
Balance at 31 March 2015 and 1 April 2015	**1,227**	**2,341**	**-**	**(2,313)**	**1,255**
Issue of ordinary shares (note 16)	63	539	-	-	602
Transactions with owners	63	539	-	-	602
Loss for the year and total comprehensive expense	-	-	-	(163)	(163)
Share-based payment expense	-	-	29	-	29
Balance at 31 March 2016	**1,290**	**2,880**	**29**	**(2,476)**	**1,723**

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

Consolidated statement of cash flows

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss before taxation		(98)	(289)
Adjustments for:			
Finance expense		1	3
Depreciation		3	4
Share-based payment expense		29	-
		(65)	**(282)**
Movements in working capital			
Decrease/(increase) in inventories		26	(166)
(Increase)/Decrease in trade and other receivables		(63)	150
Decrease in trade payables		(13)	(76)
Cash used in operations		**(50)**	**(92)**
Finance expense		(1)	(3)
Net cash used in operating activities		**(116)**	**(377)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1)
Expenditure relating licenses and trademarks		(15)	(17)
Net cash used in investing activities		**(15)**	**(18)**
Cash flows from financing activities			
Proceeds from issue of shares net of issue costs		602	562
Net cash generated by financing activities		**602**	**562**
Net increase in cash and cash equivalents		471	167
Cash and cash equivalents at beginning of year		511	344
Cash and cash equivalents at end of year	14	**982**	**511**

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

Company statement of cash flows

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss before taxation		(163)	(159)
Adjustments for:			
Share-based payment expense		29	-
		(134)	**(159)**
Movements in working capital			
Increase in trade and other receivables		(204)	-
Decrease in trade payables		(249)	(386)
Cash used in operations		**(453)**	**(386)**
Net cash used in operating activities		**(587)**	**(545)**
Cash flows from investing activities			
Expenditure relating to licenses and trademarks		(15)	(17)
Net cash used in investing activities		**(15)**	**(17)**
Cash flows from financing activities			
Proceeds from issue of shares net of issue costs		602	562
Net cash generated by financing activities		**602**	**562**
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	14	**-**	**-**

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

Notes to the consolidated financial statements

for the year ended 31 March 2016

1 Basis of preparation and summary of significant accounting policies

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

The 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 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.

Company transition to IFRS

During the year, the Company has transitioned from UK GAAP to IFRS as adopted by the EU. There have been no changes as a result of the transition and consequently, the directors have opted not to display a restated statement of financial position for 2014.

Going concern

The Group incurred a consolidated loss of £98k during the year under review (2015: £289k) and held cash reserves in the amount of £982k at the year-end, following the placing in March 2016 (2015: £511k).

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 a period of at least 12 months from the date of signing the financial statements.

For these reasons, the Group continues to adopt the going concern basis in preparing the financial statements.

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 and based on a preliminary assessment the Group believes that their adoption will not have a significant impact on its consolidated results or financial position. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- *IAS 27 "Consolidated and Separate Financial Statements" (effective in accounting periods beginning 1 January 2016)*

IAS 27 has been amended to provide an additional measurement option for investments in separate entity financial statements.

- *IAS 16 "Property, Plant and Equipment" (effective in accounting periods beginning 1 January 2016)*

The IASB has clarified that a depreciation method based on revenue is not an appropriate method in determining a pattern in which the asset's future economic benefits are consumed.

- *IAS 38 "Intangible Assets" (effective in accounting periods beginning 1 January 2016)*

The amendment to the standard clarifies the suitability of using a revenue-based method of amortisation for an intangible asset. It is similar to that made to IAS 16; however the amendment to IAS 38 includes a rebuttable presumption that an amortisation method based on revenue generated is inappropriate.

In addition, there have been a number of amendments that are not effective, on the following standards.

- *IFRS 15 "Revenue from Contracts with Customers" (effective in accounting periods beginning 1 January 2018)*

The standard is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under current IFRS.

- *IFRS 9 "Financial Instruments": (effective in accounting periods beginning 1 January 2018)*

The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

Notes to the consolidated financial statements

for the year ended 31 March 2016

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 2016. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities.

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

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

Parent company income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own statement of comprehensive income. The Company's loss for the year ended 31 March 2016 was £163k (2015: £159k). The loss is included within the consolidated statement of comprehensive income.

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.

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 profit or loss.

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 two geographical locations, UK and export.

In April 2014, the Group completed the transfer out of all remaining managed agency brands and now operates in a single segment, owned brand premium spirits. Owned brands include Blavod Black Vodka, Blackwoods Gin and Vodka and RedLeg Rum.

Property, plant and equipment

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

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

Computer equipment	20% on a straight line basis
Fixtures and fittings	20% on a straight line basis
Office equipment	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 statement of comprehensive income.

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

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

Leased assets
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 licenses and trademarks related to brands. Capitalised brands are regarded as having indefinite useful economic lives and have therefore not been amortised. These brands are protected by trademarks, which are renewable indefinitely, in all of the major markets in which they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace. Accordingly the directors believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception 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 statement of comprehensive income line items "finance expense" or "finance income".

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

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

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

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.

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

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of issue costs.
- Retained earnings represent accumulated profits and losses from incorporation.
- Share-based payments reserve represents the cumulative credit to equity arising from share-based payment charges reflected in the consolidated statement of comprehensive income.

Revenue recognition

Revenue comprises revenue from the sale of premium branded spirits.

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

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

Notes to the consolidated financial statements

for the year ended 31 March 2016

2 Significant judgments 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 judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. 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.

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.

Fair value of share-based payments

Management uses valuation techniques in measuring the fair value of share based payments where active market quotes are not available. Details of assumptions used are given in note 16. 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.

3 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.

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

	2016	2015
Loss attributable to ordinary shareholders (£'000)	(98)	(289)
Weighted average number of shares	439,109,599	375,310,586
Basic and diluted per share (pence)	(0.02)	(0.08)

Notes to the consolidated financial statements

for the year ended 31 March 2016

4 Segment reporting

	2016 £'000	2015 £'000
Revenue		
UK	797	360
Export	372	306
	1,169	666
Gross profit		
UK	422	199
Export	259	207
	681	406

The directors have decided that providing a geographical split offers an enhanced indicator of business activity. Given the Group no longer sells third party brands, this segment is no longer applicable. Only revenue and gross profit can be easily identifiable when splitting between UK and export markets.

During the year ended 31 March 2016, 66% of the Group's revenue was derived from one wholesale distributor (2015: 54%).

5 Operating loss

Operating loss is stated after charging:

Group	2016 £'000	2015 £'000
Depreciation	3	4
Operating lease rental payments on land and buildings	14	47

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

	2016 £'000	2015 £'000
Audit of the financial statements of the Company	10	10
Audit of the financial statements of the Group's subsidiaries	7	7
Tax services	3	3
	20	**20**

Company	2016 £'000	2015 £'000
Audit of the financial statements of the Company	10	10

Notes to the consolidated financial statements

for the year ended 31 March 2016

6 Investments

Investments comprise the following subsidiary companies, held at a total cost of £7 (2015: £7):

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

7 Directors and employees

	2016 £'000	2015 £'000
Staff costs		
Wages and salaries	239	284
Social security costs	10	15
Pension costs	3	6
Redundancy payments	16	-
Share-based payments	29	-
	297	**305**

	No.	No.
Monthly average number of persons employed (including directors)	**4**	**4**

	2016 £'000	2015 £'000
Remuneration of directors		
Emoluments for qualifying services	183	162
	183	**162**

Individual directors' emoluments	Salaries and fees £'000	Share-based payment £'000	2016 Total £'000	2015 Total £'000
D Goulding	124	20	144	124
S Claydon	24	-	24	4
S Bertolotti	-	-	-	22
M Quinn	12	3	15	12
Total	**160**	**23**	**183**	**162**

8 Finance expense

	2016 £'000	2015 £'000
Finance expense		
Bank charges	(1)	(3)

9 Taxation

Reconciliation of the effective tax rate

	2016 £'000	2015 £'000
Loss before taxation	(98)	(289)
Loss before tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	(20)	(61)
Effects of:		
Expenses not deductible for tax purposes	8	6
Change in unrecognised deferred tax assets	12	55
Tax expense	**-**	**–**

The amount of unrecognised deferred tax is as follows:

	2016 £'000	2015 £'000
Unutilised losses	2,018	2,230
Unrecognised deferred tax	**2,018**	**2,230**

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 2014	14	10	3	27
Additions	-	1	-	1
At 31 March 2015	14	11	3	28
Additions	-	-	-	-
At 31 March 2016	**14**	**11**	**3**	**28**
Accumulated depreciation				
At 1 April 2014	10	8	-	18
Charge for the year	2	1	1	4
At 31 March 2015	12	9	1	22
Charge for the year	1	1	1	3
At 31 March 2016	**13**	**10**	**2**	**25**
Net book value				
At 31 March 2016	**1**	**1**	**1**	**3**
At 31 March 2015	2	2	2	6

11 Intangible assets – trademarks

Group	2016 £'000	2015 £'000
Cost		
At 1 April	2,027	2,010
Additions	15	17
At 31 March	**2,042**	**2,027**
Amortisation and impairment		
At 1 April 2015 and 31 March 2016	**517**	**517**
Net book value	**1,525**	**1,510**

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.

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

The discount rate used for the value in use calculations is the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets, giving a 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 has prepared detailed forecasts for each individual brand for the next three years. Higher level forecasts have been prepared which assume 5% growth in contribution in years 4 to 10 for each brand.

Any impairment write downs are charged to other administrative expenses in the statement of comprehensive income. In the year ended 31 March 2016 and the year ended 31 March 2015 there was no impairment.

The principal trademarks of the Group are Blavod Black Vodka and Blackwoods Gin. The net book values of Blavod Black Vodka and Blackwoods Gin were £622k (2015: £615k) and £849k (2015: £844k) 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	–	–

11 Intangible assets – trademarks (continued)

Company	2016 £'000	2015 £'000
Cost		
At 1 April	1,532	1,515
Additions	15	17
At 31 March	**1,547**	**1,532**
Amortisation and impairment		
At 1 April 2015 and 31 March 2016	**22**	**22**
Net book value	**1,525**	**1,510**

12 Inventories

	2016 £'000	2015 £'000
Raw materials	76	-
Finished Goods	128	230
Total	**204**	**230**

During the year ended 31 March 2016, a total of £488k of inventories was included in the statement of comprehensive income as an expense (2015: £260k).

13 Trade and other receivables

Group	2016 £'000	2015 £'000
Trade receivables	240	167
Less allowance for impairment of trade receivables	-	(4)
Net trade receivables	240	163
Other receivables	3	34
Prepayments and accrued income	31	14
	274	**211**

Company	2016 £'000	2015 £'000
Prepayments	4	5
Amounts owed by subsidiary undertakings	205	-
	209	**5**

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.

13 Trade and other receivables (continued)

Provision for impairment

	2016 £'000	2015 £'000
At 1 April	4	43
Released in year	(4)	(39)
At 31 March	**-**	**4**

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:

	2016 £'000	2015 £'000
More than 3 months, but not more than 6 months	4	26
More than 6 months, but not more than 1 year	2	-
	6	**26**

14 Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	**982**	**511**

Notes to the consolidated financial statements

for the year ended 31 March 2016

15 Trade and other payables

Group	2016 £'000	2015 £'000
Trade payables	173	165
Other taxation and social security	4	2
Accruals	48	71
	225	**238**

Company	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	-	234
Accruals and deferred income	11	26
	11	**260**

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 Share capital

Group and Company

(a) Share capital	2016		2015	
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 0.1p each	499,333,488	500	436,707,507	437
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**587,091,996**	**1,290**	**524,466,015**	**1,227**

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

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

On 17 March 2016, the Company allotted 62,625,981 ordinary shares of 0.1 pence per share for consideration of 1.0 pence per share. The premium of £564k 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 £25k (2015: £26k).

(b) Share options

One director holds options to subscribe for ordinary shares in the Company under an unapproved share option agreement approved by the directors on 26 September 2014. Two employees hold options to subscribe for ordinary shares in the Company under EMI share option agreements approved by the directors on 2 June 2015. One director holds options to subscribe for ordinary shares in the Company under an EMI share option agreement approved by the directors on 28 July 2015. 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.

16 Share capital (continued)

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

Date of grant	No. of shares	Vesting conditions	Contractual life of options
26 September 2014	3,000,000	See below*	10 years
02 June 2015	2,500,000	See below**	10 years
28 July 2015	8,000,000	See below***	10 years
	13,500,000		

*These are unapproved directors' options, 50 % of which vested upon the publication of the Annual Report and Accounts for the year ending 31 March 2015, with the balance vesting upon the publication of the Annual Report and Accounts for the year ending 31 March 2016. 2,000,000 of these options lapsed during the year ended 31 March 2015.

**These are employee EMI options, 50 % of which vested upon the publication of the Annual Report and Accounts for the year ending 31 March 2015, with the balance vesting upon the publication of the Annual Report and Accounts for the year ending 31 March 2016.

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

The vesting conditions of the above options had the effect that 50% would vest during the year ended 31 March 2016 and the remaining 50% would vest during the year ended 31 March 2017. The Group has therefore spread the share-based payment expense evenly over the two accounting periods ending 31 March 2017.

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

	2016		2015	
	Weighted average exercise price pence	Number of options	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	1.04	1,170,000	5.00	170,000
Granted during the year	0.85	10,500,000	0.85	3,000,000
Lapsed during the period	5.00	(170,000)	0.85	(2,000,000)
Outstanding at the end of the period	**0.85**	**11,500,000**	**1.04**	**1,170,000**
Exercisable at the end of the period	0.85	5,750,000	5.00	170,000

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:

	Exercise price	Shares	
Expiry date	per share	2016	2015
2024	0.85	1,000,000	1,000,000
2025	0.85	10,500,000	1,000,000

The remaining contractual life for the options outstanding is 9.47 years (2015: 8.98 years).

The fair value of options granted during the year, determined using the Black-Scholes valuation model, was 0.51 pence. The significant inputs were a share price of 0.85 pence at grant date, an exercise price of 0.85 pence per share, volatility of 60%, an expected option life of seven years and an annual risk-free interest rate of 1.82%. The volatility is measured using the standard deviation of the share price for the year from 01 April 2015 to 31 March 2016. The Company recognised a share-based payment charge during the year of £29k (2015: £Nil).

16 Share capital (continued)

Warrants

The following warrants are held over ordinary shares in the Company:

	Weighted average exercise price pence	Number of warrants
Outstanding at the beginning of the period	3.0	1,700,000
Granted during the year	-	-
Lapsed during the period	-	-
Outstanding at the end of the period	**3.0**	**1,700,000**
Exercisable at the end of the period	3.0	1,700,000

The remaining contractual life for the options outstanding is 3.49 years (2015: 4.49 years).

17 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.

Group

	2016 £'000	2015 £'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	982	511
Trade receivables	240	163

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 some concentration of risk, given that a significant proportion of its sales are made to a single wholesale distributor. However, historically the incidences of bad debts within the Group are very low and the Group currently carries no bad debt provision.

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

17 Financial instruments (continued)

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 2016, the Group's liabilities have contractual maturities which are summarised below:

Group	Current				Non-current	
	within 6 months		6 to 12 months		1 to 5 years	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	173	165	–	–	–	–
Total financial liabilities at amortised cost	**173**	**165**	–	–	–	–

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

18 Capital management

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

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

19 Financial commitments – operating leases

Operating lease commitments relate to the rental of office space.

	Land and buildings	
	2016 £'000	2015 £'000
Total minimum operating lease payments due:		
Within one year	14	14
One of five years	41	55
	55	**69**

20 Related party transactions

Landlord: The landlord charged the Group £22k for the year (2015: £56k). Of that £22k, £14k relates to the rent of Moor Street office, £7k relates to service charges and £1k to insurance. 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 2016 was £nil (2015: £nil).

Directors: Remuneration of the directors has been disclosed in Note 7.

Notice of annual general meeting

DISTIL PLC

(Incorporated in England & Wales with registered number 03727483)

NOTICE OF THE 2016 ANNUAL GENERAL MEETING

Notice is hereby given that the 2016 annual general meeting of Distil Plc ("**the Company**") will be held at the offices of ONE Advisory Group Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT on 4 July 2016 at 11.00 a.m. for the purpose of transacting the following business and to consider, and if thought fit, to pass the following resolutions (all resolutions being ordinary resolutions, save for resolution 6 which is a special resolution):

ORDINARY RESOLUTIONS

1. That the annual report and the financial statements for the year ended 31 March 2016, together with the report of the auditors thereon, be received.

2. That Moore Stephens LLP be appointed as auditor of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and their remuneration be determined by the directors.

3. That Mark Quinn be re-appointed as a director of the Company.

4. That Don Goulding be re-appointed as a director of the Company.

5. That in substitution for any existing authority under Section 551 of the Companies Act 2006 (the "**Act**") but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be generally and unconditionally authorised in accordance with that section to allot shares in the Company and to grant rights ("**relevant rights**") to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £300,000, such authority (unless previously renewed, varied or revoked by the Company in general meeting) to expire at midnight on 31 December 2017 or, if earlier, at the conclusion of the next annual general meeting of the Company, save that the Company may before the expiry of this authorisation make an offer or agreement which would or might require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the directors of the Company may allot shares or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.

SPECIAL RESOLUTION

6. That subject to the passing of resolution numbered 4 above ("**Section 551 Resolution**") and in substitution for any existing authority under sections 570 and 573 of the Act but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be empowered in accordance with those sections to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) either pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if section 561 (1) of the Act did not apply to such allotment, provided that this power shall be limited to:

   5.1 the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £125,000: and

   5.2 the allotment of equity securities in connection with an offer to (a) all holders of ordinary shares of £0.001 each in the capital of the Company ("**Ordinary Shares**") in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject to such exclusions, limits or restrictions or other arrangements as the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever).

Such power shall expire at midnight on 31 December 2017; or, if earlier, at the conclusion of the next annual general meeting of the Company, but so that this power shall enable the Company to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

By Order of the Board — Dated 7 June 2016

Liam O'Donoghue
Secretary

Registered office:
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT

Notes to the Notice of General Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001 and paragraph 18(c) of The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting. In calculating the period of 48 hours mentioned above no account shall be taken of any part of a day that is not a working day.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard Farnham Surrey GU9 7LL or by facsimile transmission to **01252 719 232**; and
   - received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Sarah Tapp on 01252 821 390.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 7 June 2016, the Company's issued share capital comprised 499,333,488 ordinary shares of £0.001 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 7 June 2016 is 499,333,488.

Communications with the Company

11. Except as provided above, members who have general queries about the Meeting should telephone the Company Secretary, Liam O'Donoghue, on **+44 020 7583 8304** (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

CREST

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via euroclear.com/CREST).

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Directors and advisers

Directors	D Goulding (Executive Chairman) S Claydon M Quinn (Non-executive)
Secretary	L O' Donoghue
Registered office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Company's registered number	England and Wales 03727483
Auditor	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB
Bankers	Barclays Bank Plc Corporate Banking Leicester LE87 2BB
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
Tax adviser	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

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Distil Plc

1st Floor
10-11 Moor Street
London W1D 5NF
T: 020 7583 8304