Distil Plc

Annual Report Year Ended 31 March 2017

Registered in England and Wales Company Number 03727483

Contents

Chairman's statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D Goulding

6 June 2017

Strategic report

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

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

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

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

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

The results for the 2017 financial year reflect the continued focus on investing in the Group's key brands to drive top line growth in both domestic and international markets whilst ensuring overhead costs remain appropriate for the size of the Group.

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

- **Contribution – defined as gross margin less advertising and promotional costs**
  Contribution increased £165k from £401k in 2016 to £566k in 2017. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a 37% increase in advertising and marketing costs during the year.

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

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

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

We also closely monitor both the level of and value derived from our advertising and promotional costs and other administrative costs. Advertising and promotional costs increased in absolute terms by £104k from £280k to £384k as the Group continued to invest in the marketing of its brand portfolio to drive top line sales growth. As a percentage of sales, advertising and promotional spend amounted to 23% (2016: 24%) during the year.

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

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

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

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

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

Approved by the Board and signed on its behalf

S Claydon

Director

6 June 2017

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 in the strategic report commencing on page 2.

Results
The Group reports an operating profit for the year of £10k (2016: loss of £97k). The current year profit 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 2017.

Going concern
The Group achieved a consolidated profit of £10k during the year under review and held cash reserves in the amount of £910k at the year-end.

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. 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.

Directors' report (continued)

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

6 June 2017

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 2017 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 parent 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 statement of directors' responsibilities 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 (APB'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 parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report (continued)

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Benjamin Courts, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

6 June 2017

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue		1,642	1,169
Cost of sales		(692)	(488)
Gross profit		**950**	**681**
Administrative expenses:			
Advertising and promotional costs		(384)	(280)
Other administrative expenses		(520)	(470)
Share-based payment expense		(32)	(29)
Depreciation	10	(4)	(3)
Other operating income		–	4
Total administrative expenses		**(940)**	**(778)**
Operating profit/(loss)	5	**10**	**(97)**
Finance expense	8	–	(1)
Profit/(loss) before taxation		**10**	**(98)**
Taxation	9	–	–
Profit/(loss) for the year and total comprehensive income/(expense)		**10**	**(98)**
Earnings/(loss) per share			
Basic and diluted (pence per share)	3	0.00	(0.02)

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

Consolidated statement of financial position

as at 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	64	3
Intangible assets	11	1,535	1,525
Total non-current assets		**1,599**	**1,528**
Current assets			
Inventories	12	199	204
Trade and other receivables	13	329	274
Cash and cash equivalents	14	910	982
Total current assets		**1,438**	**1,460**
Total assets		**3,037**	**2,988**
Liabilities			
Current liabilities			
Trade and other payables	15	(227)	(225)
Total current liabilities		**(227)**	**(225)**
Total liabilities		**(227)**	**(225)**
Net assets		**2,810**	**2,763**
Equity			
Equity attributable to equity holders of the parent company			
Share capital	16	1,291	1,290
Share premium		2,884	2,880
Share-based payment reserve		61	29
Retained earnings		(1,426)	(1,436)
Total equity		**2,810**	**2,763**

The financial statements were approved and authorised for issue by the Board on 6 June 2017 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 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	6	–	–
Intangible assets	11	1,535	1,525
Total non-current assets		**1,535**	**1,525**
Current assets			
Trade and other receivables	13	54	209
Total current assets		**54**	**209**
Total assets		**1,589**	**1,734**
Liabilities			
Current liabilities			
Trade and other payables	15	(13)	(11)
Total current liabilities		**(13)**	**(11)**
Total liabilities		**(13)**	**(11)**
Net assets		**1,576**	**1,723**
Equity			
Share capital	16	1,291	1,290
Share premium		2,884	2,880
Share-based payment reserve		61	29
Retained earnings		(2,660)	(2,476)
Total equity		**1,576**	**1,723**

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Company statement of comprehensive income. The loss for the Company for the year ended 31 March 2017 was £184,000 (2016: loss of £163,000).

The financial statements were approved and authorised for issue by the Board on 6 June 2017 and signed on its behalf by:

D Goulding
Director

S Claydon
Director

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

Company Number 03727483

Consolidated statement of changes in equity

for the year ended 31 March 2017

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2015	1,227	2,341	–	(1,338)	2,230
Issue of ordinary shares (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 and 1 April 2016	**1,290**	**2,880**	**29**	**(1,436)**	**2,763**
Share options exercised (note 16)	1	4	–	–	5
Transactions with owners	**1**	**4**	**–**	**–**	**5**
Profit for the year and total comprehensive income	–	–	–	10	10
Share based payment expense	–	–	32	–	32
Balance at 31 March 2017	**1,291**	**2,884**	**61**	**(1,426)**	**2,810**

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

Company statement of changes in equity

for the year ended 31 March 2017

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2015	1,227	2,341	–	(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 and 1 April 2016	**1,290**	**2,880**	**29**	**(2,476)**	**1,723**
Share options exercised (note 16)	1	4	–	–	5
Transactions with owners	**1**	**4**	**–**	**–**	**5**
Loss for the year and total comprehensive expense	–	–	–	(184)	(184)
Share-based payment expense	–	–	32	–	32
Balance at 31 March 2017	**1,291**	**2,884**	**61**	**(2,660)**	**1,576**

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

Consolidated statement of cash flows

for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit/(loss) before taxation			
Adjustments for:		10	(98)
Finance expense		–	1
Depreciation		4	3
Share-based payment expense		32	29
		46	**(65)**
Movements in working capital			
Decrease in inventories		5	26
Increase in trade and other receivables		(55)	(63)
Increase/(decrease) in trade payables		2	(13)
Cash used in operations		**(48)**	**(50)**
Finance expense		–	(1)
Net cash used in operating activities		**(2)**	**(116)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(65)	–
Expenditure relating to licenses and trademarks		(10)	(15)
Net cash used in investing activities		**(75)**	**(15)**
Cash flows from financing activities			
Proceeds from share options exercised/issue of shares net of issue costs		5	602
Net cash generated by financing activities		**5**	**602**
Net (decrease)/increase in cash and cash equivalents		(72)	471
Cash and cash equivalents at beginning of year		982	511
Cash and cash equivalents at end of year	14	**910**	**982**

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

Company statement of cash flows

for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss before taxation		(184)	(163)
Adjustments for:			
Share-based payment expense		32	29
		(152)	**(134)**
Movements in working capital			
Decrease/(increase) in trade and other receivables		155	(204)
Increase/(decrease) in trade payables		2	(249)
Cash generated by/(used in) operations		**157**	**(453)**
Net cash generated by/ (used in) operating activities		**5**	**(587)**
Cash flows from investing activities			
Expenditure relating to licenses and trademarks		(10)	(15)
Net cash used in investing activities		**(10)**	**(15)**
Cash flows from financing activities			
Proceeds from issue of shares net of issue costs		5	602
Net cash generated by financing activities		**5**	**602**
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 2017

1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2017. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Going concern
The Group achieved a consolidated profit of £10k during the year under review (2016: loss of £98k) and held cash reserves in the amount of £910k at the year-end (2016: £982k).

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. 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.

The following standards took effect in the year but have not had 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.

The following standards have been endorsed by the EU but are effective subsequent to year end:

- *IFRS 15 "Revenue from Contracts with Customers" (effective in accounting periods beginning 1 January 2018)*
  IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has considered the implications of IFRS 15 to have an immaterial impact.

- *IFRS 9 "Financial Instruments": (effective in accounting periods beginning 1 January 2018)*
  IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The Group has considered the implications of IFRS 9 to have an immaterial impact.

Notes to the consolidated financial statements

for the year ended 31 March 2017

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

The following standards/amendments to standards are not yet endorsed by the EU:

- *IFRS 16 "Leases"*
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term of greater than a year. The Group has considered the implications of IFRS 16 to have an immaterial impact.

- *IFRS 2 "Share based payments"*
  There are a number of changes and clarifications affecting IFRS 2, including various clarifications emphasising that vesting conditions, other than market conditions, are taken into account in determining the number of instruments expected to vest and not in determining the values of the individual instruments.

- *IAS 12 "Income taxes"*
  This clarification is intended to reduce the diversity in practice in the accounting for deferred tax assets arising on unrealised losses. The amendments clarify that in order to compute a temporary difference, the carrying amount is carrying amount is compared to its tax base. In doing so, the entity should not consider how the related assets will be recovered (such as through sale), or the probability that any resulting deferred tax asset will be recoverable.

- *IAS 7 "Statement of Cash Flows"*
  This amendment arising from the disclosure initiative and results in changes in liabilities arising from financing activities being analysed between five categories.

Basis of consolidation
The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2017. 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 2017 was £184k (2016: £163k). 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.

Notes to the consolidated financial statements

for the year ended 31 March 2017

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

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
Production Equipment	5% on a straight line basis
Motor Vehicles	10% on a straight line basis

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

Inventories

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

Leased assets

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 and deposits held with banks with original maturities of three months or less from inception.

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

Notes to the consolidated financial statements

for the year ended 31 March 2017

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

Financial assets and liabilities are measured subsequently as described below.

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.

Notes to the consolidated financial statements

for the year ended 31 March 2017

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 is a reserve in which the entity receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

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.

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 within note 11.

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.

2 Significant judgments and estimates (continued)

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 Earnings/(loss) per share

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

The diluted earnings/(loss) per share is identical to the basic earnings/(loss) per share as the exercise of warrants and options would be anti-dilutive.

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

	2017	**2016**
Profit/(loss) attributable to ordinary shareholders (£'000)	10	(98)
Weighted average number of shares	499,617,829	439,109,599
Basic and diluted per share (pence)	–	(0.02)

4 Segment reporting

	2017 **£'000**	**2016** **£'000**
Revenue		
UK	1,352	797
Export	290	372
	1,642	1,169
Gross profit		
UK	762	422
Export	188	259
	950	681

The directors have decided that providing a detailed geographical split offers an enhanced indicator of business activity. Only revenue and gross profit can be easily identifiable when splitting between UK and export markets.

During the year ended 31 March 2017, 82% of the Group's revenue was derived from one wholesale distributor (2016: 66%).

Notes to the consolidated financial statements

for the year ended 31 March 2017

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

Group	2017 £'000	2016 £'000
Depreciation	4	3
Operating lease rental payments on land and buildings	14	14

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

	2017 £'000	2016 £'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	2017 £'000	2016 £'000
Audit of the financial statements of the Company	10	10

6 Investments

Investments comprise the following subsidiary companies, held at a total cost of £7 (2016: £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

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

7 Directors and employees

	2017 £'000	2016 £'000
Staff costs		
Wages and salaries	271	236
Social security costs	6	10
Short term non-monetary benefit	3	3
Pension costs	3	3
Redundancy payments	–	16
Share-based payments	32	29
	315	**297**

	No.	No.
Monthly average number of persons employed (including directors)	**6**	**4**

	2017 £'000	2016 £'000
Remuneration of directors		
Emoluments for qualifying services	186	183
	186	**183**

Notes to the consolidated financial statements

for the year ended 31 March 2017

7 Directors and employees (continued)

Individual directors' emoluments

	Salaries and fees £'000	Share-based payment £'000	2017 Total £'000	2016 Total £'000
D Goulding	124	20	144	144
S Claydon	24	3	27	24
M Quinn	12	3	15	15
Total	**160**	**26**	**186**	**183**

8 Finance expense

	2017 £'000	2016 £'000
Finance expense		
Bank charges	–	(1)

9 Taxation

Reconciliation of the effective tax rate	2017 £'000	2016 £'000
Profit/(Loss) before taxation	10	(98)
Loss before tax multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	2	(20)
Effects of:		
Expenses not deductible for tax purposes	7	8
Change in unrecognised deferred tax assets	(9)	12
Tax expense	**–**	**–**

The amount of unrecognised deferred tax is as follows:

	2017 £'000	2016 £'000
Unutilised losses	1,898	2,018
Unrecognised deferred tax	**1,898**	**2,018**

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

Notes to the consolidated financial statements

for the year ended 31 March 2017

10 Property, plant and equipment

	Computer equipment £'000	Fixtures and fittings £'000	Office equipment £'000	Production equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 April 2015 and 31 March 2016	14	11	3	–	–	28
Additions	3	–	–	40	22	65
At 31 March 2017	**17**	**11**	**3**	**40**	**22**	**93**
Accumulated depreciation						
At 1 April 2015	12	9	1	–	–	22
Charge for the year	1	1	1	–	–	3
At 31 March 2016	13	10	2	–	–	25
Charge for the year	1	1	–	1	1	4
At 31 March 2017	**14**	**11**	**2**	**1**	**1**	**29**
Net book value						
At 31 March 2017	**3**	**–**	**1**	**39**	**21**	**64**
At 31 March 2016	1	1	1	–	–	3

11 Intangible assets – trademarks

Group	**2017 £'000**	**2016 £'000**
Cost		
At 1 April	1,547	1,532
Additions	10	15
At 31 March	**1,557**	**1,547**
Accumulated impairment		
At 1 April 2016 and 31 March 2017	22	22
Net book value	**1,535**	**1,525**

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 12% 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 2017 and the year ended 31 March 2016 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 £625k (2016: £622k) and £850k (2016: £849k) 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.

Notes to the consolidated financial statements

for the year ended 31 March 2017

11 Intangible assets – trademarks (continued)

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
Blavod	109	113
Other brands	–	–

Company	**2017 £'000**	**2016 £'000**
Cost		
At 1 April	1,547	1,532
Additions	10	15
At 31 March	**1,557**	**1,547**
Accumulated impairment		
At 1 April 2016 and 31 March 2017	22	22
Net book value	**1,535**	**1,525**

12 Inventories

	2017 £'000	**2016 £'000**
Raw materials	110	76
Finished goods	89	128
Total	**199**	**204**

During the year ended 31 March 2017, a total of £692k of inventories was included in the statement of comprehensive income as an expense (2016: £488k).

13 Trade and other receivables

Group	**2017 £'000**	**2016 £'000**
Trade receivables	272	240
Less allowance for impairment of trade receivables	–	–
Net trade receivables	272	240
Other receivables	43	3
Prepayments and accrued income	14	31
	329	**274**

Company	**2017 £'000**	**2016 £'000**
Prepayments	3	4
Amounts owed by subsidiary undertakings	51	205
	54	**209**

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	2017 £'000	2016 £'000
At 1 April	–	4
Released in year	–	(4)
At 31 March	**–**	**–**

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:

	2017 £'000	2016 £'000
More than 3 months, but not more than 6 months	4	4
More than 6 months, but not more than 1 year	3	2
	7	**6**

14 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	**910**	**982**

15 Trade and other payables

Group	2017 £'000	2016 £'000
Trade payables	161	173
Other taxation and social security	3	4
Accruals	63	48
	227	**225**

Company	2017 £'000	2016 £'000
Accruals and deferred income	13	11
	13	**11**

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

	2017		2016	
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 0.1p each	499,833,488	501	499,333,488	500
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**587,591,996**	**1,291**	**587,091,996**	**1,290**

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.

16 Share capital (continued)

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 9 September, the Company allotted 500,000 ordinary shares of 0.1 pence per share for consideration of 0.85 pence per share. The premium of £4k arising on this share allotment has been credited to the share premium account.

(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. On 1 March 2017, one director was granted shares in the Company under an unapproved share option scheme approved by the directors on that date. 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.

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
2 June 2015	2,500,000	See below**	10 years
28 July 2015	8,000,000	See below***	10 years
1 March 2017	2,750,000	See below****	10 years
	16,250,000		

*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, and 50% of which vested 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, and 50% of which vested 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.

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

The vesting conditions of the first three options above 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.

16 Share capital (continued)

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

	2017 Weighted average exercise price pence	2017 Number of options	2016 Weighted average exercise price pence	2016 Number of options
Outstanding at the beginning of the period	0.85	11,500,000	1.04	1,170,000
Granted during the year	1.62	2,750,000	0.85	10,500,000
Exercised during the period	0.85	(500,000)	–	–
Lapsed during the period	–	–	5.00	(170,000)
Outstanding at the end of the period	**1.00**	**13,750,000**	**0.85**	**11,500,000**
Exercisable at the end of the period	0.85	11,000,000	0.85	5,750,000

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

Expiry date	Exercise price per share	Shares 2017	Shares 2016
2024	0.85	1,000,000	1,000,000
2025	0.85	10,000,000	10,500,000
2027	1.62	2,750,000	–

The remaining contractual life for the options outstanding is 8.55 years (2016: 9.47 years).

The fair value of options granted during the year, determined using the Black-Scholes valuation model, was 0.91 pence. The significant inputs were a share price of 1.62 pence at grant date, an exercise price of 1.62 pence per share, volatility of 60%, an expected option life of 6.5 years and an annual risk-free interest rate of 0.69%. The volatility is measured using the standard deviation of the share price for the year from 01 April 2016 to 31 March 2017. The Company recognised a share-based payment charge during the year of £32k (2016: £29k).

Warrants

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

	Weighted average exercise price pence	Number of warrants
Outstanding at the beginning and 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 2.49 years (2016: 3.49 years).

Notes to the consolidated financial statements

for the year ended 31 March 2017

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 provide working capital for the Group's operations. Its principal financial liabilities are trade and other payables that arise directly from its operations. All financial assets are classified as loans, cash 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 **Classes of financial assets – carrying amounts**	**2017** **£'000**	**2016** **£'000**
Cash and cash equivalents	910	982
Trade receivables	272	240

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.

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 2017, 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**	
Group	**2017** **£'000**	**2016** **£'000**	**2017** **£'000**	**2016** **£'000**	**2017** **£'000**	**2016** **£'000**
Trade payables	161	173	–	–	–	–
Total financial liabilities at amortised cost	**161**	**173**	**–**	**–**	**–**	**–**

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.

Notes to the consolidated financial statements

for the year ended 31 March 2017

19 Financial commitments – operating leases

Operating lease commitments relate to the rental of office space.

	Land and buildings	
	2017 £'000	**2016 £'000**
Total minimum operating lease payments due:		
Within one year	14	14
One of five years	27	41
	41	**55**

20 Related party transactions

Landlord: The landlord charged the Group £22k for the year (2016: £22k). 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 2017 was £nil (2016: £nil).

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

Director shareholding: In March 2017, Mark Quinn transferred 2.5 million ordinary shares to his wife for nil consideration.

DISTIL PLC

(Incorporated in England & Wales with registered number 03727483)

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

Notice is hereby given that the 2017 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 2017 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 4 which is a special resolution):

ORDINARY RESOLUTIONS

1. That the annual report and the financial statements for the year ended 31 March 2017, 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 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 2018 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

4. That subject to the passing of resolution numbered 3 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:

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

   4.2 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 2018; 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 6 June 2017

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, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR 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 Share Registrars 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 The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR 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 5 June 2017, the Company's issued share capital comprised 499,833,488 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 5 June 2017 is 499,833,488.

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	HSBC Plc City of London Commercial Centre First Floor 60 Queen Victoria Street London EC4N 4TR
Nominated adviser	SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4BH
Broker	SI Capital Limited 46 Bridge Street Godalming Surrey GU7 1AZ
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
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

www.distil.uk.com