Distil Plc

Annual Report Year Ended 31 March 2019

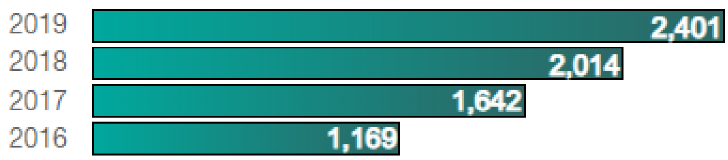
Registered in England and Wales Company Number 03727483

Contents

Performance highlights

12 months to 31 March 2019
Versus prior year

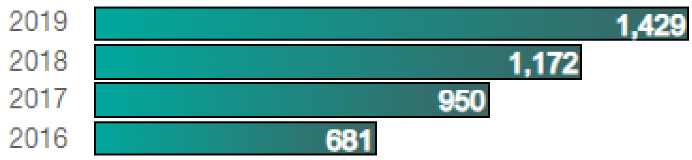
Revenue £000's



REVENUE

+19%

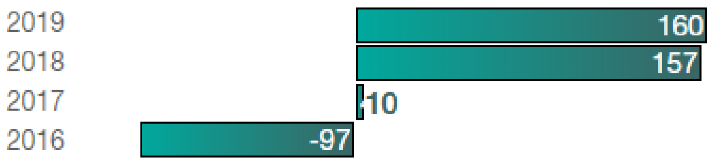
Gross Profit £000's



GROSS PROFIT

+22%

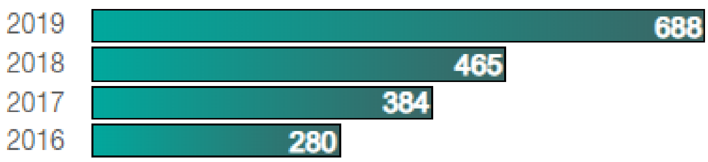
Operating Profit £000's



OPERATING PROFIT

+2%

Advertising & Promotion Spend £000's



A&P SPEND

+48%

Total volume +15% **Nil debt** **Cash +4% to £1.1m**


HARVESTED
2017
HANDPICKED
VINTAGE DRY
SHETLAND

Chairman's statement

We delivered another year of strong growth through focused investment and targeted activity in support of our key brands. Our team continued to successfully nurture brand appeal, grow sales, ensure excellent product quality and generate cash.

I am pleased to report another period of strong revenue growth and increased investment in our brands for the year ending 31 March 2019.

Performance

Sales revenue increased by 19% to £2.4m up from £2.01m the previous year, gross profits increased by 22% to £1.43m and gross profit margin improved 2% to 60%.

This was supported by a planned 48% increase in marketing investment in our key brands resulting in a reduction in contribution margins to 31%. EBITDA increased from £163k to £169k.

We also maintained positive cash flows during the period increasing cash reserves by £37k to £1.07m with no debt at the year end.

Key Brands

RedLeg Spiced Rum achieved a growth rate ahead of the overall market despite increased competition in all markets. We invested additional funds in both consumer and trade activities to generate increased rates of sale and improve brand awareness at the point of sale. Overall distribution continued to expand as interest in the rum category broadened and reached new consumers.

Trade support is vital for all of our brands and we are therefore delighted with the increased availability across all trade channels but especially in the growing number of independent bars, pubs and restaurants serving RedLeg Spiced Rum.

Our rum continues to be a favourite with consumers due to its delicious, award winning, flavour profile - either neat or mixed in cocktails. That aside, we know that customers are seeking new flavours, fresh packaging and ideas for mixing and serving our drinks.

Consequently, in March 2019 we announced our first RedLeg line extension: RedLeg Caramelised Pineapple Spiced Rum for launch in the summer of 2019.

Blackwoods 2017 Vintage Dry Gin performed satisfactorily in an extremely crowded gin market. Volume shipments to the trade are down year-on-year as the prior year included the pipeline fill of our new vintage and its new packaging. Promotional support has grown in importance as consumers are faced with a wide range of offers and new products especially in the coloured and flavoured gin section. Blackwoods Gin is well positioned in a market which has seen many brands drop prices to gain share of promotion and visibility although our share has declined as the number of promotional items has increased significantly.

Depletions (sales from Distributors to their customers) of Blavod Black Vodka, are relatively flat year-on-year and in line with the overall vodka market. This is not reflected in our volume sales for the period as we agreed with our US distributor to reschedule our US shipments of Blavod Black Vodka to reflect our distributors' new shipping methods.

Chairman's statement (continued)

Productivity and cost management

Product costs were well managed by the team despite general price pressure across the board. We improved gross margins by 2% through improved planning and procurement whilst maintaining or improving product quality.

We decided not to try and load export markets with inventory ahead of any likely disruptive Brexit outcome although some distributors increased stock cover in the last quarter as a precaution.

UK market

The UK is our largest market in volume and value and therefore provided the majority of our sales growth year-on-year. The spirits market grew faster than beer and wine. Within spirits the gin sector gained share from most other categories. Compound gins in the form of coloured, flavoured and sweetened gin (gin-based liqueurs) made extraordinary advances and had the biggest impact on the UK market. Dry gins also advanced on the back of new market entrants offered from the wave of new micro distilleries.

Blackwoods Gin new vintage was well received as was the Blackwoods' new packaging and seasonal gift pack. Our share of promotional activity and shelf space declined overall as the number of gin brands stocked in retail and in bars increased significantly. Although our 'affordable premium' price positioning kept the brand competitive.

The spiced rum sector also advanced ahead of total spirits in the UK and RedLeg Spiced Rum was one of the fastest growing brands within in it, both in the on trade (bars, pubs and restaurants) and the off trade (retail). Seasonal promotions, events and gift packs supplemented an upweighted digital marketing and PR programme.

International markets

We opened new markets in Europe, North America and Asia mainly for our rum and gins. As indicated in prior years, we are seeking a long-term strategic relationship in the USA and have explored several options. We will keep shareholders informed of our progress in this area. Asia, mainly Japan, China and India are showing long term potential for our brands.

Outlook

Premium spirits and spirit-based cocktails continue to become more mainstream and are taking a greater share across almost all drinking occasions and with a broader consumer group. Therefore, we anticipate steady progress in the total spirits market including both the rum and gin categories. Gin growth will naturally slow down from the current highs, but we anticipate will remain in good health. We forecast rum will grow at current levels.

Investment in our brands and commercial infrastructure will increase to capture new markets and new consumers.

Don Goulding

Executive Chairman

Date: 7 June 2019


37.5%
Red Leg
Spiced Rum
Smooth Tasting
infused with
Vanilla & Ginger
Distilled in the Caribbean
37.5% vol.
SPICED RUM SPIRIT DRINK
70cl

Strategic report

Results for the year

The operating profit attributable to shareholders for the year amounted to £160k (2018: £157k).

Overall sales volumes and revenues demonstrated further strong growth during the year, supported by a significant increase in marketing and promotional spend ahead of sales in line with our strategic plans.

Growth has been driven by another year of strong performance from RedLeg Spiced Rum which continues to attract a loyal customer base across all sales channels. This strong performance was partly offset by weaker year-on-year sales of our Gin and Vodka brands against the backdrop of increasingly competitive markets, and in the case of Blackwoods Gin, the prior year pipeline fill of our new vintage and packaging.

The Group continues to minimise overheads where possible, whilst ensuring sufficient investment to support the growth in sales of its brands. Other administrative expenses increased 10% against an increase in sales revenue of 19% during the year. The Group also seeks to carefully manage its cash resources posting a net operating cash inflow of £85k (2018: £166k) during the year.

The Group's position at the financial year end remains robust showing net assets of £3.17m (2018: £3.01m). This included cash reserves of £1.07m (2018: £1.03m) and intangible assets of £1.56m (2018: £1.55m) comprising expenditure on trademarks related to our brands. Inventories increased to £312k (2018: £177k) due to a planned increase in stock cover as we transitioned the production of RedLeg Spiced Rum to a new supplier during the year.

Against the backdrop of increasingly competitive and crowded markets we have continued to invest in our core brands, expand overall sales volumes and revenues and deliver another profitable set of results in the current year.

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 RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka and Blavod Black Vodka domestically and internationally.

The results for the 2019 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 £34k from £707k in 2018 to £741k in 2019. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a 48% increase in advertising and marketing costs during the year.

- **Sales volume versus prior year**

  Total volumes increased 15% year-on-year driven by a significant increase in volume sales of RedLeg Spiced Rum which showed year-on-year growth of 45%, whilst Blackwoods Gin, Blavod Black Vodka and Blackwoods Vodka showed an overall year-on-year decline in volume sales during the year.

- **Sales turnover versus previous year**

  Total sales increased 19% year-on-year to £2.4m. RedLeg Spiced Rum continued to be the key performance driver posting a 50% increase in revenue. Blackwoods Gin and Vodka decreased 12% and 39%

respectively, the latter off a relatively small base. Blavod Black Vodka experienced a 68% decline, primarily due to a fall in non-licensed sales.

- **Gross margin versus previous year**

  Gross margin as a percentage of sales increased from 58% in the prior year to 60% in 2019, reflecting planned improvements in planning and procurement.

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 £223k from £465k to £688k as the Group continued to invest in marketing activities to promote its brand portfolio and drive top line sales growth. During the year we invested in the development of new gift packaging and miniature bottle formats for RedLeg Spiced Rum and Blackwoods Gin. As a percentage of sales, advertising and promotional spend amounted to 29% (2018: 23%) during the year.

Other administrative costs marginally increased by £50k from £522k to £572k as we continued to carefully manage our cost base.

Principal risks and uncertainties

As a relatively small but growing business our senior management is naturally involved day to day in all key decisions and the management of risk. Where possible, structured processes and strategies are in place to monitor and mitigate as appropriate. This involves a formal review at Board level.

The directors are of the opinion that a thorough risk management process has been adopted which involves a formal review of the principal 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 its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

- **Withdrawal of the UK from the EU**

  Following the UK's decision to leave the EU in 2016 we have taken appropriate steps to minimise the likely impact of this decision on our operations. We now source glass in the UK for all our production in England and Scotland and, similarly, source glass in Europe for our Blavod Black Vodka production in Germany.

  We also invoice all of our sales in GBP thereby minimising our exposure to currency fluctuations. In view of the current uncertainty regarding the timing and terms of Brexit we continue to monitor developments and will take appropriate further measures once we have a clearer understanding of the potential opportunities and challenges.

Future developments

We remain focused on four key growth drivers to maintain profitable brand growth and create value. These are listed below:

Brand activation and marketing at the point of sale:
- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:
- Pack sizes & formats, new brands, liquids and flavours.

Route to consumer:
- Build long term relationships with capable local distributors in each key market.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

Access to new production and design:
- Across all aspects of distilling, bottling, packaging.

Approved by the Board and signed on its behalf by:

S Claydon

Director
7 June 2019

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 3 and in the Strategic Report commencing on page 6.

Results

The Group reports an operating profit for the year of £160k (2018: £157k). The current year and prior year profit relate solely to ongoing activities.

Subsequent events

There have been no significant subsequent events to note.

Future developments

This has been included in the Strategic Report on page 8.

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 15 to the financial statements.

Directors

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

Don Goulding (Executive Chairman)
Shaun Claydon (Finance Director)
Mark 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

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office and a resolution will be proposed at the Annual General Meeting to reappoint BDO LLP as auditor for the next financial year.

Going concern

The Group achieved a consolidated profit of £160k during the year under review and held cash reserves in the amount of £1.07m 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.

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.

Corporate governance

The Board is committed to maintaining high standards of corporate governance.

To the extent applicable, and to the extent able (given the current size and structure of Distil Plc and the board of directors), the Group has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how Distil Plc complies with the Code, the reasons for any non-compliance, and the principles contained in the Code, are set out in the corporate governance statement starting on page 11, and on the Group's website, https://www.distil.uk.com/investors/corporate_governance.

Approved by the Board and signed on its behalf by:

S Claydon
Director
7 June 2019

Corporate governance statement

Overview

As Chairman of the Board of Directors of Distil, it is my responsibility to ensure that we have both sound corporate governance and an effective Board. As Chairman my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

We have decided to adopt the Quoted Companies Alliance Corporate Governance Code (**QCA Code**) in line with the London Stock Exchange's recent changes to the AIM Rules, requiring all AIM-quoted companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code and note that there have been no changes to the Company's key corporate governance arrangements over the past year. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below.

We understand that the application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

QCA Principles

1. **Establish a strategy and business model which promotes long-term value for shareholders**

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of the following strategy for the Company: the marketing and selling of RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka and Blavod Black Vodka, both domestically and internationally.

The Company intends to deliver medium and long-term shareholder value by maintaining or growing investments in proven brand building activities and, in addition, invest in our four growth levers:

- Brand activation and marketing at the point of sale:
  - Precise timing and frequency of promotional activity including occasions & gifting.
  - Bringing promotions to life and aligned with changing consumer needs.
  - Marketing and promotional activity tailored to local market needs.
- Innovation in liquid & packaging development:
  - Pack sizes & formats, new brands, liquids and flavours.
- Route to consumer:
  - Build long term relationships with capable local distributors in each key market.
  - Open new territories for each key brand, targeting premium growth markets.
  - Develop new trade channels through format and product.
- Access to new production and design:
  - Across all aspects of distilling, bottling, packaging.

For more information on Distil's strategy and future developments, please see page 8 in the Strategic Report.

The Company intends to deliver shareholder returns for the foreseeable future through capital appreciation. Challenges to delivering capital appreciation include uncertainty in relation to consumer spending on our brands and competition within our chosen markets, although the Board takes steps to mitigate these risks. Further challenges to our strategy and long-term goals are highlighted in the Principal Risks and Uncertainties section on page 7 of the Strategic Report.

2. Seek to understand and meet shareholder needs and expectations

The Company places great importance on the need for effective communication and constructive dialogue with investors and the media by providing communications through the Annual and Interim Reports, along with Regulatory News Service announcements. The Company's website, www.distil.uk.com, is used for both financial and general news relevant to shareholders. The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. The Executive Chairman is the Company's principal spokesperson with investors, fund managers, the press and other interested parties and acts as a general liaison for all shareholders. All Directors attend the AGM, where private investors are given the opportunity to question the Board. The AGM provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend. All 2018 AGM resolutions were passed comfortably.

In addition, the Company is open to receiving feedback from key stakeholders and will take action where appropriate. Shareholders can contact the Company by email through its website and relevant queries are passed to the Board for discussion.

The Company also engages the services of an independent Research Analyst, who publishes regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, contractors, suppliers, and many other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which considers a wide range of key resources including staffing, clients, suppliers, production lines and opportunities.

All employees within the Group are valued members of the team, and the Company is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin. The Company has seven employees so is in constant contact with same, seeking to provide continual opportunities in which issues can be raised, and allowing for the provision of feedback through one-to-one contact and support. This feedback process helps to ensure that new issues and opportunities that arise may can be used to further the success of the Group.

The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company values feedback received from customers and listens to customer feedback in relation to the taste, packaging and appearance of our products.

The Group has no significant environmental or community impact in its current stage of development but will continue to monitor and review for a change in status in line with regulatory and further developments.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for an effective and well-defined risk management process, and it oversees and regularly reviews the current risk management and internal control mechanisms.

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of Distil's principal risks. The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved before being formally adopted. Other key procedures that have been established and which are designed to provide effective control are as follows:

- management structure - where the Board meets regularly to discuss all issues affecting the Company; and
- investment appraisal - the Company has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and no weakness in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

Whilst the Board oversees and regularly reviews the current risk management and internal control mechanisms, it has also delegated this responsibility to the Audit Committee who keep under review the adequacy and effectiveness of the Company's financial internal controls and internal control and risk management systems.

Principal Risks and Uncertainties are outlined in the Strategic Report on page 7.

The Board considers an internal audit function is not necessary or practical due to the size of the Company and the day to day control exercised by the Executive Directors. However, the Board will monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises the part-time Executive Chairman, Don Goulding, the part time CFO, Shaun Claydon, and one Non-Executive Director, Mark Quinn. Mark Quinn is not considered to be independent due to other Directorships he holds and the nature of his relationship with a substantial shareholder.

The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. Don Goulding is expected to dedicate 4 days per week to the Company, Shaun Claydon is expected to dedicate 3-4 days per month, and Mark Quinn is expected to dedicate such time as is necessary for the proper performance of his duties.

In the year ended 31 March 2019, there have been 6 Board meetings, all of which were attended by all Directors. There has been one Audit Committee meeting, which was attended by the relevant Directors.

There have been no Remuneration Committee meetings in the year ended 31 March 2019.

Meetings are open and constructive, with every Director participating fully. Senior management can and often are invited to meetings, providing the Board with a thorough overview of the Company.

The Board recognises the long-term need for an Independent Non-Executive Chair and shall continue to review this as the scale and complexity of the Company grows in the future and in proportion to costs. The Board also notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executives. The Board will take this into account when considering future appointments. However, all Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively. Therefore, the Board acknowledges that at its current development, it does not comply with Principle 5. However, the Board maintains that the Board's composition will be frequently reviewed as the Company develops.

In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board and Committee document authors are made aware of proposed deadlines, allowing board papers to be collated, compiled into a Board Pack, and circulated with sufficient time prior to each meeting, thus allowing time for full consideration and necessary clarifications before the meeting.

The Company has an Audit Committee and a Remuneration Committee. The Board believes that the Committees have the necessary skills and knowledge to discharge their duties effectively. The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board.

<u>Directors' conflict of interest</u>

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Biographical details of the Directors can be found on the Company's website, www.distil.uk.com.

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, and notes the range of financial and managerial skills. The Non-Executive Director maintains ongoing communications with Executives between formal Board meetings.

The Company has employed the services of ONE Advisory Limited to act as the Company Secretary, and who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation.

In addition to their general Board responsibilities, Non-Executive Director(s) are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments of governance and AIM regulations. ONE Advisory provide updates on governance issues, and the Company's NOMAD provides annual AIM Rules refresher training to the Boardas well as the initial training as part of a new director's onboarding.

The directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and with the Board expansion, re-consider the need for Board evaluation.

Succession planning recommendations are made by the Board as a whole, and all Directors submit themselves for re-election at the AGM at regular intervals. There are no specific terms of appointment for the Non-Executive Director.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities is centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board reviews the Company's corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit. The Executive Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role, the day-to-day running of the business and developing corporate strategy, and primary contact with shareholders, clients and partners. The Non-Executive Director is tasked with ensuring that the strategies proposed by the executive directors are fully considered, constructively challenging the decisions of executive management and satisfying himself that the systems of business risk management and internal financial controls are robust.

No other Directors have any particular governance responsibilities beyond their role on the Board and Board Committees.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- The Group's strategy and vision
- Interim and full year financial statements and reports
- Investments or disposals
- Corporate governance
- Appointment of new Directors

The Board delegates authority to two Committees to assist in meeting its business objectives, and the Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Mark Quinn (Chair) and Don Goulding. The CFO and external auditors attend meetings by invitation.

The remit of the Committee is to review:

- the appointment and performance of the external auditors
- the independence of the auditors
- remuneration for both audit and non-audit work and nature and scope of the audit with the external auditors
- the interim or final financial report and accounts
- the external auditor's management letter and management's responses
- the systems of risk management and internal controls
- operating, financial and accounting policies and practices, and
- to make related recommendations to the Board.

The Audit Committee meets once a year.

Remuneration Committee

The Remuneration Committee has two members, Don Goulding (Chair) and Mark Quinn. Other members of the Board may attend the Committee's meetings at the request of the Committee Chair.
The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the Directors.

The Remuneration Committee meets as required.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board should, itself, deal with such matters, including succession planning and the balance of the Board. Therefore, the Board as a whole will review Board composition.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to providing effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both private and institutional shareholders and research analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company, as well as maintaining regular contact with its advisers in order to ensure that the Board develops an understanding of the views of any other major stakeholders.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Board already discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to publishing proxy voting results on its website in future. All 2018 AGM resolutions were passed comfortably. The Company maintains that, if there is a resolution passed at a General Meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The latest Corporate Documents (including Annual Reports and Notices of AGMs) can be found on the Company's website.

Investors also have access to current information on the Company through its website, www.distil.uk.com. The Company uses electronic communications with shareholders in order to maximise efficiency.

Audit Committee Report

Dear shareholder,

I present my first Audit Committee Report for the year ended 31 March 2019.

The Committee is responsible for reviewing and reporting on the Company's financial performance, monitoring the integrity of the Company's financial statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/ monitoring the performance, independence and effectiveness of the external auditors.

The Committee's primary activities comprised meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the annual audit.

Mark Quinn
Chairman of the Audit Committee

Date: 7 June 2019

Independent auditor's report to the members of Distil Plc

Opinion

We have audited the financial statements of Distil Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Distil Plc (continued)

Occurrence and cut off of revenue

There is a risk that revenue due to the Group has been overstated in order to report higher profits, especially for transactions around the reporting date. This is effectively the risk that the revenue reported is inaccurate, inflated, incorrectly includes duty or has been recognised in the wrong period.

How our audit addressed the key audit matter:

- We tested a sample of transactions recorded in the nominal ledger through to sales invoices, order forms and cash receipts, in order to ensure that revenue had been appropriately recorded at the right time and at the correct value;
- We tested all credit notes exceeding 10% of overall materiality and that had been issued after the reporting date to gain assurance that those relating to sales made in the year had been accounted for;
- For a sample of sales selected from the nominal ledger around the year end, we assessed whether they had been recorded in the correct period through review of invoices, order forms and timing of delivery; and
- In order to ensure that duty had been excluded from the reported revenue we tested a sample of transactions, from the sales order and sales invoice, tracing the duty balances through to the relevant nominal ledger code

Valuation of intangible assets

There is a risk that the carrying value of the intangible assets in relation to the brands is overstated. Management are required to complete impairment reviews at least annually in order to ensure that the carrying value is not overstated. Management's impairment review is assessed by reference to value in use, using internal forecasts and estimated growth rates to predict future cash flows, with a suitable discount rate being applied based on the Group's weighted average cost of capital. These areas are judgemental.

How our audit addressed the key audit matter:

- We challenged management's assumptions used in its impairment models for the brands. In particular we reviewed the projected future cash flows which are based on historical financial information along with management estimations, including growth rates. Historical information has been agreed and previous forecasts have been reviewed; and
- We performed sensitivity analysis to assess the impact of changes in the Group's cash flows, in particular surrounding growth rates in the contribution, and weighted average cost of capital as the key assumptions in the model to calculate the net present value of the future cash flows. The weighted average cost of capital has been based on the former cost of funding for the group.

Our application of materiality

We set certain thresholds for materiality. These help us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

We determined the materiality for the Group financial statements as a whole to be £22,300 (2018: £19,100) calculated with reference to a benchmark of the results before tax adjusted for discretionary items, of which it represents 9% of the adjusted profit before tax. The Parent Company materiality was set as £10,600 (2018: £13,300) which represents 9% of the results before tax.

This is the threshold above which missing or incorrect information in the financial statements is considered to have an impact on the decision makers of users.

Independent auditor's report to the members of Distil Plc (continued)

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at a range of £16,725 to £11,150 (2018: £14,325 to £9,550) for the Group and a range of £7,950 to £5,300 (2018: £9,975 to £6,650) for the Parent.

We agreed to report to the Audit Committee all potential adjustments in excess of £1,115 (2018: £955), being 5% of the materiality for the Group financial statements as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the full scope audit of the one trading component which was audited to a component materiality of £22,000 (2018: £19,000).

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls and the industry in which they operate.

The Group operates through one trading subsidiary undertaking which maintains all of its own accounting records and controls. The consolidation and Parent Company accounting records and controls are maintained at the registered office by an outsourced accounting function. We determined that the Group consisted of two significant components.

The Group audit team performed a full scope audit of the two components.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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.

Independent auditor's report to the members of Distil Plc (continued)

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Benjamin Courts (Senior Statutory Auditor)
for and on behalf of
BDO LLP
Statutory Auditor
London
United Kingdom

Date: 7 June 2019
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue	4	2,401	2,014
Cost of sales		(972)	(842)
Gross profit	4	**1,429**	**1,172**
Administrative expenses:			
Advertising and promotional costs		(688)	(465)
Other administrative expenses		(572)	(522)
Share-based payment expense		-	(22)
Depreciation	9	(9)	(6)
Total administrative expenses		**(1,269)**	**(1,015)**
Operating profit before tax	5	**160**	**157**
Taxation	8	-	**-**
Profit for the year and total comprehensive income		**160**	**157**
Earnings per share			
Basic and diluted (pence per share)	3	0.03	0.03

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

Consolidated statement of financial position

as at 31 March 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	129	95
Intangible assets	10	1,556	1,551
Total non-current assets		**1,685**	**1,646**
Current assets			
Inventories	11	312	177
Trade and other receivables	12	207	395
Cash and cash equivalents		1,068	1,031
Total current assets		**1,587**	**1,603**
Total assets		**3,272**	**3,249**
Liabilities			
Current liabilities			
Trade and other payables	13	98	235
Total current liabilities		**98**	**235**
Total liabilities		**98**	**235**
Net assets		**3,174**	**3,014**
Equity			
Share capital	14	1,292	1,292
Share premium		2,908	2,908
Share-based payment reserve		83	83
Accumulated losses		(1,109)	(1,269)
Total equity		**3,174**	**3,014**

The financial statements were approved and authorised for issue by the Board on 7 June 2019 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 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments	6	-	-
Intangible assets	10	1,556	1,551
Total non-current assets		**1,556**	**1,551**
Current assets			
Trade and other receivables	12	369	502
Total current assets		**369**	**502**
Total assets		**1,925**	**2,053**
Liabilities			
Current liabilities			
Trade and other payables	13	585	596
Total current liabilities		**585**	**596**
Total liabilities		**585**	**596**
Net assets		**1,340**	**1,457**
Equity			
Share capital	14	1,292	1,292
Share premium		2,908	2,908
Share-based payment reserve		83	83
Accumulated losses		(2,943)	(2,826)
Total equity		**1,340**	**1,457**

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 2019 was £117,000 (2018: £166,000).

The financial statements were approved and authorised for issue by the Board on 7 June 2019 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 2019

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	1,291	2,884	61	(1,426)	2,810
Share issued	1	24	-	-	25
Transaction with owners	**1**	**24**	**-**	**-**	**25**
Profit for the year and total comprehensive income	-	-	-	157	157
Share-based payment expense	-	-	22	-	22
Balance at 31 March 2018 and 1 April 2018	**1,292**	**2,908**	**83**	**(1,269)**	**3,014**
Profit for the year and total comprehensive income	-	-	-	160	160
Balance at 31 March 2019	**1,292**	**2,908**	**83**	**(1,109)**	**3,174**

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

Company statement of changes in equity

for the year ended 31 March 2019

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	1,291	2,884	61	(2,660)	1,576
Share issued	1	24	-	-	25
Transaction with owners	**1**	**24**	**-**	**-**	**25**
Loss for the year and total comprehensive expense	-	-	-	(166)	(166)
Share-based payment expense	-	-	22	-	22
Balance at 31 March 2018 and 1 April 2018	**1,292**	**2,908**	**83**	**(2,826)**	**1,457**
Loss for the year and total comprehensive expense	-	-	-	(117)	(117)
Balance at 31 March 2019	**1,292**	**2,908**	**83**	**(2,943)**	**1,340**

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

Consolidated statement of cash flows

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the year	**160**	**157**
Adjustments for non-cash/non-operating items:		
Depreciation	9	6
Expenses settled by shares	-	17
Share-based payment expenses	-	22
	169	**202**
Movements in working capital		
(Increase)/decrease in inventories	(135)	22
Decrease/(increase) in trade and other receivables	188	(66)
(Decrease)/increase in trade and other payables	(137)	8
Net cash generated from operating activities	**85**	**166**
Cash flows from investing activities		
Purchase of property, plant and equipment	(43)	(37)
Expenditure relating to licences and trademarks	(5)	(16)
Net cash used in investing activities	**(48)**	**(53)**
Cash flows from financing activities		
Proceeds from share options exercised	-	8
Net cash generated by financing activities	**-**	**8**
Net increase in cash and cash equivalents	37	121
Cash and cash equivalents at beginning of year	1,031	910
Cash and cash equivalents at end of year	**1,068**	**1,031**

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

1. Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2019. 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 England and Wales. 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 306.A, 6 Hays Lane, London Bridge, SE1 2HB.

Going concern

The Group achieved a consolidated profit of £160k during the year under review (2018: £157k) and held cash reserves in the amount of £1,068k at the year-end (2018: £1,031k).

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.

New standards, amendments and interpretations

The following standards have been endorsed by the EU and are effective in the Group's accounting period beginning 1 April 2018:

- *IFRS 15 "Revenue from Contracts with Customers"*

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, as detailed in the revenue recognition accounting policy.

- *IFRS 9 "Financial Instruments"*

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, as detailed in the financial instruments accounting policy.

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

- *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. This does not have an impact on any previous charges and will be applied to any new share-based payments going forward.

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/amendments to standards have been endorsed by the EU but are effective subsequent to the year end, in accounting periods beginning 1 January 2019:

- *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 due to the remaining life of the lease and value of the annual charge.

- *IFRIC 23 "Uncertainty over Income Tax Positions"*

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2019. 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 cash flow statement

The Company has not included a cash flow statement as the Company does not have a bank account. All cash transactions are settled by Distil Company Ltd ("Subsidiary") and increases the intercompany loan balance with the Subsidiary.

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

Foreign currencies

i) Presentation 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.

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.

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

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 10 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.

Financial assets and liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets at amortised cost. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents. Financial assets do not comprise prepayments.

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

These assets 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 the statement of comprehensive income.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime ECLs. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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.

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of 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 for amounts based on the price of the entity's shares or other equity instruments of the entity.

Revenue recognition

Revenue comprises the fair value of the sale of goods to external customers excluding excise duty and VAT and is net of rebates and trade discounts.

Contracts and obligation

All customer contracts have one element that the Group provides to the customer, being premium branded spirits.

Therefore, the supply of the premium branded sprits is the only performance obligation and all revenue is recognised at a point in time.

Determining the transaction price

The transaction price is determined as the fair value of the consideration the Group expects to receive over the course of the contract.

There are no incentives given to customers that would have a material effect on the financial statements. Any exchanges by customers of an order are for another order of the same type, quality, condition and price and therefore not considered returns. Although goods might be returned, there is no variability in the aggregate amount of revenue that will be received by the Group. There are no refunds to customers.

Allocate the transaction price to the performance obligations in the contract

The allocation of the transaction price to the one performance obligation in the contract is non-complex for the Group. There is a fixed unit price for each product sold. Therefore, there is limited judgement involved in allocating the contract price to each unit ordered.

Recognise revenue when or as the entity satisfies its performance obligations

The overarching terms are consistent in each contract. All revenue is recognised at a point in time, when the premium branded spirits are delivered to the customer, as the customer can benefit from the use of the goods when they have been delivered, and control of the goods has been transferred when delivered to the customer.

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

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 reporting 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 to other comprehensive income, in which case the related deferred tax is also charged or credited to other comprehensive income, or 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.

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 10.

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 14. 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 its 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. The judgments which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

3. Earnings per share

The calculation of the basic earnings 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 per share is the same as the basic earnings per share as the exercise of warrants and options would be immaterial.

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

	2019	**2018**
Profit attributable to ordinary shareholders (£'000)	160	157
Weighted average of number of shares	501,982,913	500,128,739
Basic and diluted per share (pence)	0.03	0.03

4. Segment reporting

	2019 **£'000**	**2018** **£'000**
Revenue		
UK	2,096	1,725
Export	305	289
	2,401	2,014
Gross profit		
UK	1,221	982
Export	208	190
	1,429	1,172

The directors have decided that providing a geographical split by two locations, UK and Export, 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 2019, 88% of the Group's revenue was derived from one wholesale distributor (2018: 86%). All of this related to UK revenue.

5. Operating profit

Operating profit is stated after charging:

	2019 £'000	2018 £'000
Depreciation	9	6
Operating lease rental payments	46	14

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

	2019 £'000	2018 £'000
Audit of the financial statements of the Company	12	11
Audit of the financial statements of the Group's subsidiaries	9	8
Tax services	3	3
	24	**22**

6. Investments

Investments comprise the following subsidiary companies, held at a total cost of £7 (2018: £7):

Name of company	Nature of business	%	Country of incorporation
Distil Company Limited	Marketing and sale of spirits	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 subsidiaries is 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT.

7. Directors and employees

	2019 £'000	2018 £'000
Staff costs		
Wages and salaries	292	286
Social security costs	12	8
Short term non-monetary benefit	4	4
Pension costs	5	4
Share-based payments	-	22
	313	**324**

	No.	No.
Monthly average number of persons employed (including directors)	**6**	**7**

Directors' emoluments

	2019 £'000	2018 £'000
Salaries and fees	180	195
Pension costs	-	-
	180	**195**

Individual directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Share-based Payment £'000	2019 Total £'000	2018 Total £'000
D Goulding	141	-	-	141	135
S Claydon	27	-	-	27	48
M Quinn	12	-	-	12	12
Total	**180**	**-**	**-**	**180**	**195**

Remuneration of key management personnel

	2019 £'000	2018 £'000
Salaries and fees	231	195
Pension costs	4	-
	235	**195**

Key management personnel include all Distil Plc directors and the Director of Operations and Marketing for Distil Company Ltd, who together have authority and responsibility for planning, directing, and controlling the activities of the Group.

In the year ended 31 March 2019, the number of key management personnel who were in a defined contribution pension scheme was 1 (2018: Nil).

8. Taxation

Reconciliation of the effective tax rate

	2019 £'000	2018 £'000
Profit before taxation	160	157
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	30	30
Effects of:		
Expenses not deductible for tax purposes	3	4
Change in unrecognised deferred tax assets	(33)	(34)
Tax expense	**-**	**-**

The amount of unrecognised deferred tax is as follows:

	2019 £'000	2018 £'000
Unutilised losses	1,857	1,867
Unrecognised deferred tax	**1,857**	**1,867**

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

9. Property, plant and equipment

	Computer equipment £'000	Fixtures & fittings £'000	Office equipment £'000	Production equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2017	17	11	3	40	22	93
Additions	2	-	-	35	-	37
At 31 March 2018	19	11	3	75	22	130
Additions	1	-	-	42	-	43
Disposals	-	(11)	-	-	-	(11)
At 31 March 2019	**20**	**-**	**3**	**117**	**22**	**162**
Accumulated depreciation						
At 1 April 2017	14	11	2	1	1	29
Charge for the year	2	-	1	1	2	6
At 31 March 2018	16	11	3	2	3	35
Charge for the year	1	-	-	6	2	9
Disposals	-	(11)	-	-	-	(11)
At 31 March 2019	**17**	**-**	**3**	**8**	**5**	**33**
Net book value						
At 31 March 2019	**3**	**-**	**-**	**109**	**17**	**129**
At 31 March 2018	3	-	-	73	19	95

10. Intangible assets – trademarks

Group and Company	**2019 £'000**	**2018 £'000**
Cost		
At 1 April	1,573	1,557
Additions	5	16
At 31 March	**1,578**	**1,573**
Accumulated impairment		
At 1 April 2018 and 31 March 2019	22	22
Net book value	**1,556**	**1,551**

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 20% growth in contribution in years 4 to 10 for Blavod, 6% for Blackwoods Gin and Vodka, 10% for Diva and 22% for RedLeg.

Any impairment write downs are charged to other administrative expenses in the statement of comprehensive income. In the year ended 31 March 2019 and the year ended 31 March 2018 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 £631k (2018: £630k) and £854k (2018: £854k) 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.

11. Inventories

	2019 £'000	2018 £'000
Raw materials	158	75
Finished goods	154	102
Total	**312**	**177**

During the year ended 31 March 2019, a total of £972k of inventories was included in the statement of comprehensive income as an expense (2018: £842k).

12. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	128	330	-	-
Other receivables	58	25	-	-
Prepayments	21	40	4	15
Amounts owed by subsidiary undertakings	-	-	365	487
	207	**395**	**369**	**502**

Analysis of trade receivables

	<30 days	31 – 60 days	61 -90 days	> 90 days	Total Gross	ECL	Total Net
2019	126	-	-	2	128	-	128
2018	292	20	-	18	330	-	330

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The Group measures ECL based on historical data in addition to current and forward-looking information utilising managements knowledge of their customers. Based on the analysis performed there is no material impact on the transition to IFRS 9. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Amounts owed by subsidiary undertakings are repayable on demand.

13. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	59	179	-	-
Other taxation and social security	6	5	-	-
Amounts owed to subsidiary undertakings	-	-	584	584
Accruals	33	51	1	12
	98	**235**	**585**	**596**

Amounts owed to subsidiary undertakings are repayable on demand.

14. Share capital

Group and Company

(a) Share capital

Allotted and fully paid	2019 Number of shares	2019 £'000	2018 Number of shares	2018 £'000
Ordinary shares of 0.1p each	501,982,913	502	501,982,913	502
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**589,741,421**	**1,292**	**589,741,421**	**1,292**

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.

(b) Share options

One employee holds 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.

14. 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
01 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 and the other 33% were exercised during the year ended 31 March 2018.

**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. 500,000 options were exercised on 5 September 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 number and weighted average exercise prices of share options are as follows:

	2019		**2018**	
	Weighted average exercise price pence	**Number of options**	**Weighted average exercise price pence**	**Number of options**
Outstanding at the beginning of the period	1.02	12,750,000	1.00	13,750,000
Granted during the year	-	-	-	-
Exercised during the period	-	-	0.85	(1,000,000)
Outstanding at the end of the period	**1.02**	**12,750,000**	**1.02**	**12,750,000**
Exercisable at the end of the period	1.02	12,750,000	1.02	12,750,000

14. Share capital (continued)

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

		Shares	
Expiry date	**Exercise price per share**	**2019**	**2018**
2025	0.85	10,000,000	10,000,000
2027	1.62	2,750,000	2,750,000

The remaining contractual life for the options outstanding is 6.65 years (2018: 7.65 years).

The Company recognised a share-based payment charge during the year of £Nil (2018: £22k).

Warrants

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

	Weighted average exercise price pence	**Number of options**
Outstanding at the beginning 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 warrants outstanding is 0.49 years (2018: 1.49 years).

15. 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 reporting date, as summarised below. All classes relate to financial assets classified as loans and receivables.

Group

Classes of financial assets – carrying amounts	**2019 £'000**	**2018 £'000**
Cash and cash equivalents	1,068	1,031
Trade receivables	128	330

15. Financial instruments (continued)

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of expected credit losses. 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 credit risk within the Group are very low and the Group currently carries no expected credit losses.

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 2019, 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	59	179	-	-	-	-
Total financial liabilities at amortised cost	**59**	**179**	**-**	**-**	**-**	**-**

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

16. 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.

17. Financial commitments – operating leases

Operating lease commitments relate to the rental of office space.

	Land and buildings	
	2019	**2018**
Total minimum operating lease payments due:	**£'000**	**£'000**
Within one year	52	14
One to five years	13	13
	65	27

18. Related party transactions

Landlord: The Group's former landlord charged the Group £6k for the period up to June 2018 (2018: £18k), of which £4k relates to the rent of Moor Street office, £1k relates to service charges and £1k to insurance. The former landlord was Raymond Estates Limited which was considered to be a related party as its controlling party is a director of Distil Plc. The amount due to Raymond Estates Limited at 31 March 2019 was £nil (2018: £nil). Raymond Estates Limited is no longer the Group's landlord since June 2018.

Directors: Remuneration of the directors and key management personnel has been disclosed in Note 7.

During the year, the Company had the following transactions with its subsidiary companies:

	£'000
Balance at 1 April 2018	487
Expenses paid by the Subsidiary	(122)
Balance at 31 March 2019	365

DISTIL PLC

(Incorporated in England & Wales with registered number 03727483)

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

Notice is hereby given that the 2019 annual general meeting of Distil plc (**the Company**) will be held at the offices of BDO LLP, 150 Aldersgate Street, London EC1A 4AB on 4 July 2019 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 2019, together with the report of the auditors thereon, be received.

2. That BDO 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 (**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 2020 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 number 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:

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

   6.2 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 2020; 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 2019

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 The Courtyard, 17 West St, 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 7 June 2019, the Company's issued share capital comprised 501,982,913 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 2019 is 501,982,913.

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 S Claydon M Quinn	(Executive Chairman) (Finance Director) (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	BDO 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	Turner Pope Investments Limited Becket House 36 Old Jewry London EC2R 8DD	
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR	
Tax adviser	BDO LLP 150 Aldersgate Street London EC1A 4AB	

I'm feeling well tropical...

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