

Company number : 09309241

Chill Brands Group PLC
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2023



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CHILL BRANDS GROUP PLC

(“Chill”, the “Company”, or the “Group”)

ANNUAL REPORT AND CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Company Registered Number: 09309241

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Officers and Professional Advisers

Directors	Callum Sommerton (appointed 15 April 2022) Antonio Russo Trevor Taylor Eric Schrader Scott Thompson
Company Secretary	MSP Corporate Services Limited
Registered Office	Eastcastle House 27/28 Eastcastle Street London W1W 8DH
US Operating Address	Suite 201 1601 Riverfront Drive Grand Junction Colorado 81501 United States of America
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus London E14 4HD
Brokers and Financial Advisors	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Solicitors	DMH Stallard LLP 6 New Street Square New Fetter Lane London EC4A 3BF
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
Principal Bankers	Clydesdale Bank 15 th Floor The Leadenhall Building 122 Leadenhall Street London EC3V 4AB
Company Website	www.chillbrandsgroup.com
Product Websites	www.chill.com www.zoetic.com

CHIEF EXECUTIVE'S REVIEW AND STRATEGIC REPORT

Introduction

I am pleased to present the Group's results for the financial year ended 31 March 2023 ("FY23" or the "Period").

During the Period there has been a material shift in our business strategy, driven by the need to adapt to survive in an ever-evolving market. As a result of factors that I will go on to explain, the market for CBD consumer products has become extremely challenging. With the best interests of the Group and its shareholders in mind, we have therefore redirected our efforts and resources towards several diversified business activities including the sale of nicotine-free vapour products and the development of an e-commerce marketplace on the Chill.com website. We believe that these activities hold great promise and have the potential to significantly enhance the Group's commercial prospects.

Over the past year our revenue has fallen short of expectations, and this is naturally disappointing. It is important to note, however, that our financial statements are reflective of a year of transition during which historical sales arrangements limited recordable revenue. They do not demonstrate Chill's growth potential in the rapidly expanding market for e-cigarette style vapour products, (where sales only commenced at the very end of the period covered) nor do they reflect the decisive action we have taken to control costs and improve operational efficiency.

While it is important to review the Group's financial performance during the Period, I strongly encourage you to fully consider Chill Brands' status today along with our plans for the future. Through continued progress across a diversified base of business, myself and the Board wholeheartedly believe that the Group is on course to move beyond its difficult past and grow to a position of stability and, in due course, profitability.

This report aims to provide you with greater insight into our decisions, the challenges faced by the business, and the steps we are taking to position Chill Brands for success.

Adapting to Changing Market Conditions

The history of Chill Brands is characterised by near-continuous evolution, from the Group's oil and gas origins as Highlands Natural Resources to its expansion into cannabidiol as Zoetic International. This evolution continued during the Period as changes to the Group's management structure prompted a thorough evaluation of its business model.

Following a thorough assessment of the Group's business activities, it became evident that the performance of its CBD products did not support the continuation of its strategy. It was also apparent that the Group's operations had become too costly when considered against sales results, as is often the case with early-stage consumer goods businesses. In response to these challenges, we took proactive measures to reduce overheads and streamline operations. We initiated a comprehensive cost optimisation program that focused on enhancing operational efficiency, reducing reliance on external providers and advisers, and reallocating resources to areas with higher growth potential. This exercise resulted in significant costs savings, the benefits of which will largely bear fruit during the financial year ending 31 March 2024.

The CBD Landscape

In addition to issues specific to the Group itself, it was also evident that wider macro problems existed, and continue to exist, within the market for cannabidiol (CBD) products. It became clear to the management team that a strategic shift was essential to secure the viability of the business.

While CBD products gained initial popularity following the liberalisation of cannabinoid policy in the US and UK during 2018, the regulatory landscape and market dynamics have changed dramatically, impacting the ability of CBD businesses to scale and achieve profitability. Regulatory uncertainty has limited market access, hindered distribution channels, and created barriers to growth for businesses operating in this industry. Enforcement by bodies such as the U.S. Food and Drug Administration (FDA) have restricted the ability of CBD businesses to communicate the utility of their products to customers, limiting their marketing potential and dampening consumer uptake.

The market for CBD products is volatile and, in many cases, retailers have been unable to justify their continued inclusion on shelves due to inconsistent sales performances. The proliferation of CBD products has also led to fluctuating prices and squeezed profit margins for businesses that are already confronted with higher costs than those concerned with the sale of more typical consumer products that face a lower regulatory burden. These difficulties are not unique to the Group and have become evident across the industry with even the most established brands reporting declining sales. This further emphasised the need for a decisive reaction from the Group.

Crucially, the market for cannabinoid products has itself undergone an exceptional degree of change since the Group first launched its wares during 2019. Due to the factors outlined in this report, many CBD businesses have failed to generate sufficient sales to justify their costs. This has led to level of financial instability as evidenced by the poor performance, and in some cases closure, of peers including certain UK listed companies. In the United States, initial consumer appetite for non-intoxicating CBD products has declined in favour of products that provide a more potent effect. Products containing psychoactive cannabinoids like Delta-9-tetrahydrocannabinol (“Delta 9”) have rapidly gained popularity and provide a natural range swap for retailers whose appetite for CBD products has been diminished by reduced consumer demand.

Although Chill Brands’ management team believes that CBD products have a positive future ahead of them, we must concede that the landscape is extremely challenging. The operation of UK law currently precludes the Group from directly participating in the recreational psychoactive cannabinoid market even in territories where it is legal, and while we are exploring options that may enable us to progress in this area, there can be no guarantee that any such option will reach fruition.

In light of these circumstances, we have taken steps to identify alternative business avenues that offer the significant growth potential that our shareholders deserve. The Group will continue to service existing demand for its CBD products suite, while exploring value accretive partnerships with successful CBD brands that may be seeking new distribution channels. We believe that demand for CBD products will increase organically over time as market consolidation takes effect, but we must maintain focus on activities and categories that are most likely to create value in the near term. We have therefore made the decision to shift our core business focus toward the sale of nicotine-free vapour products and the development of a marketplace on the Chill.com website.

The Opportunity in Vapour

Our decision to enter the vapour industry was driven by several factors but it is important not to lose sight of the bigger picture. It has been forecasted that the market for vapour products could be worth more than USD \$168 billion by 2030, with a compound annual growth rate of almost 30 percent during the intervening period. Behind the numbers there has been a considerable surge in demand for disposable products driven by changing consumer preferences and increasing acceptance of vaping as an alternative to traditional tobacco products. There can be no doubt that the future of this industry is bright and the potential return on an investment by Chill Brands will be amplified if we can gain even a small percentage share of the vapour products market.

For Chill Brands there is a natural fit between the vapour category and the Group's existing experience in the tobacco alternatives space. While still challenging, the regulatory landscape for vapour products provides greater certainty and therefore a more favourable environment for growth than has been the case for CBD products. By redirecting our efforts towards this category, we are capitalizing on a rapidly expanding market that has gained immense popularity among a diverse range of consumers, offering a broader customer base and greater revenue opportunities.

We have further considered how the Group could gain a strong competitive advantage in the vapour category. Following the discontinuation of the Group's synthetic nicotine oral pouch range in August 2022, the Board is acutely aware of the difficulties surrounding the regulatory approval of nicotine products in the US. Compliance will always remain a high priority for the business, and we have elected to sell products that are not currently subject to nicotine licensing or approval requirements in order to avoid increasing the regulatory burden incumbent on the Group. At the time of writing, Chill Brands' vapour products are not subject to FDA deeming rules (which determine whether a product is regulated as 'tobacco') in the United States, and given their lack of nicotine content are not subject to many of the rules and restrictions contained within The Tobacco and Related Products Regulations in the UK.

Our nicotine-free vapour products (marketed as 'Chill Zero' devices) are intended to appeal to a wider customer base of adult consumers. Not all users of vapour products wish to consume nicotine and there is growing demand for alternatives. Some customers will be nearing the end of their smoking cessation journey and seeking a product that will satisfy their habitual fixation while finally eliminating their intake of nicotine. Others may simply want the sensory experience of vaping in recreational settings without introducing the highly addictive compound into their daily lives.

We have already taken strides towards making a success of our newly launched nicotine-free vapour products and anticipate that sales of this range will rapidly become the Group's primary source of revenue. When combined with the magnetism of our brand, we expect these products to gain traction in the market through multiple points of distribution in the UK, US and beyond.

In the US our dedicated sales agents have been actively introducing our vapour products to a wide range of potential stockists and we look forward to sharing further updates on sales to retail stores and distributors in the near future. The feedback we have received both from early adopters and market research has been overwhelmingly positive, reinforcing our belief in the potential success of our products. Few competitors have adjusted their focus to nicotine-free devices and there remains a niche available for us to occupy as a leading brand within this category.

As announced in May 2023, the Company has also entered into an agreement with The Vaping Group to act as its sales and distribution agent in the UK. We continue to draw on the expansive network and extensive industry expertise of our new partners with whom we are executing a comprehensive go-to-market strategy that is intended to result in sales of Chill Zero vapour products to large retailers, category-specific chains, and independent outlets across the country. From these foundations we expect further growth into the burgeoning European and Middle Eastern markets.

There is, of course, still much work to be done in order to capture the future potential of our vapour products range. We will need to monitor regulatory developments carefully, working closely with our manufacturing partners to ensure that our products are safe and of the highest possible quality. It will also be necessary for us to adopt an even stronger position with regard to social and environmental responsibility. It is imperative that the Group takes measures to restrict the sale of its products to adult consumers while limiting its impact on the environment through sustainable manufacturing and schemes relating to the recycling of vapour products. These issues will continue to demand attention from the Group, and it will be important for us to allocate resources to solving them.

With that being said, we are confident that this strategic shift will make an extremely positive contribution to our revenue trajectory, delivering long-term value to our shareholders. Even a fraction of the sales volumes achieved by category leaders would be transformational for Chill Brands and there is substantial upside for the Group if new distribution channels can be effectively unlocked.

A Marketplace on Chill.com

Beyond ambitions for our new range of nicotine-free vapour products, we have also developed a revised business plan relating to the use of the Chill.com domain. Following its acquisition in 2021 (completed during the Period as announced on 23 June 2022), the website was used only for online sales of the Group's branded products including CBD-infused oral chew pouches and herbal smokes. During the extensive review of the Group's operations described elsewhere in this report, it was determined that online sales of its own products did not do justice to the marketing potential of the Chill.com domain. This led us to explore alternative routes to fully commercialise this digital asset and ultimately to the onboarding of third-party brands and their products to the site.

Through consistent efforts we are steadily building a marketplace that is dedicated to natural products containing hemp derivatives, nootropics, and other functional ingredients. There are numerous advantages for brands joining the marketplace, including exposure to a growing number of monthly visitors, a diverse consumer base that will continue to expand as additional brands list on the site, and cross-brand marketing opportunities through social media, extensive email lists and other means. Given the Group's dual US/UK footprint there is also an opportunity for brands from either territory to make an initial entrance to a new geographic market simply by listing on the Chill.com site. The experience is designed to be as pain-free as possible for businesses, with the Group taking a commission from sales and not overly limiting the upside potential for brands as is the case with certain other marketplace platforms.

It is hard to fully quantify the opportunity ahead if we can build the Chill.com platform effectively. Successful marketplace websites create a network effect, where the value of the platform increases with the number of participants. As more sellers and buyers join the marketplace, additional customers are attracted, leading to a continuous cycle of growth. The resultant brand community will be populated with customer reviews, blogs and other materials that will build credibility and enhance the overall user experience.

If nothing else the performance of the Group's legacy CBD products has shown that consumer markets are cyclical in nature. Trends come and go, yet by building a marketplace site the Group can quickly adapt to changing market conditions by expanding into new product categories without adopting the financial risk of product development costs or inventory obsolescence. We intend for this diversified revenue stream to help mitigate the risk of relying solely on Chill branded product sales and in future it may provide a degree of stability during periods of volatility in the retail sales market.

To succeed in this venture, it will be necessary for us to make progress in relation to search engine optimisation, user experience and other areas that will enhance the effectiveness of the site. A complete visual refresh of the Chill.com website has already rectified the apparent disconnect between our previous brand identity, product offering and the preferences of relevant consumer demographics. Now we must take steps to increase traffic to the site, as our ability to attract higher levels of customer traffic will become one of the primary factors determining our success.

Growth of the Chill.com marketplace remains a long-term endeavour for us, but it is one that has vast potential if scale can be achieved. I look forward to providing further updates on our work as the site expands both in terms of its user base and the breadth of brands and products available listed for sale.

Looking Ahead

The 2023 financial year marked a critical juncture for Chill Brands. Having started 2022 as a distressed contender within the extremely challenging CBD market, the business now has a renewed opportunity in the fast-growing market for vapour products. Our change of focus is one that we strongly believe will improve our financial performance and create significant value for our shareholders.

The Group is once again at an early stage of its development in a new area. It is crucial to recognise that there are many factors that can influence the performance of a newly launched product and so it is important to manage expectations. Generating substantial revenue from these new products may take time, but there is cause for optimism from the steps we have already taken to secure their success. We continue to build our distribution channels and enhance our marketing strategies to maximise potential sales, and there is no apparent reason why our Chill.com marketplace and Chill Zero vapour products cannot in turn capture a sizeable portion of their respective markets.

We will continue to keep you informed about our progress and performance as we invest in the promotion, distribution and refinement of our platform and products. While it may take time to gain traction, it is worth remembering that the most successful product launches are characterised by gradual market penetration and a steady increase in consumer adoption. We are not merely chasing trends and are focused on sustainable growth that requires a patient and calculated approach.

On behalf of the entire management team, I extend my sincere gratitude to our shareholders for your continued patience, support, and enthusiasm. We are incredibly grateful to have the opportunity to build this company and look forward to delivering value as we complete this operational pivot and continue Chill Brands' journey of growth.



Callum Sommerton
Chief Executive Officer – Chill Brands Group PLC

CHIEF EXECUTIVE'S FINANCIAL REVIEW

During the Period the Group executed a managed pivot from its previous activities to a more diverse base of business including the online distribution of third-party brands and the development and sale of nicotine-free vapour products. The focus of the Group's management team during this time has been on exiting historical contracts, eliminating costs, and reallocating resources from non-performing business activities.

The Group recorded a loss for the year of £4,287,891 (2022: £5,711,503), a reduction of 25% that can largely be attributed to the removal of significant costs for marketing sponsorships and consultancy agreements. The recorded loss is inclusive of non-cash costs for the year of £1,304,570 (2022: £1,958,076) reflecting share expenses for options granted during this and previous periods and imputed interest on convertible loan notes. The remainder of the loss is a result of the Group's continued costs of operation, listing, and the servicing of business activities and products that had not gained sufficient traction in the consumer market to yield a profit.

On 26 April 2022 the Group announced that it had conditionally raised £3,500,000 (before costs) from new and existing investors through fundraising consisting of two parts. The first part was by means of Subscription for 29,166,699 new ordinary shares of 1 pence each at a price of 2 pence each. The second part comprised convertible loan notes of 2 pence each with an aggregate value of £2,916,670 which will convert automatically on the publication of a prospectus or the passing of legislation that means a prospectus is no longer required. Shareholder approval was sought and gained at a General Meeting held on 12 May 2022, where all resolutions were duly passed.

Further to the aforementioned fundraising, the Group announced its intention to issue an Open Offer to enable long-term shareholders to participate on equivalent terms. As announced on 17 June 2022, the Open Offer raised a total of £212,201 (before expenses).

In June 2022 the Company completed its purchase of the Chill.com website domain, making a balancing payment of \$800,000. Further commentary relating to the financial treatment of the Chill.com domain can be found in Note 2 to the Financial Statements accompanying to this report.

During the 2022 financial period the Group launched a new range of synthetic nicotine products under the commercial name 'Tobacco Free Nicotine' or 'TFN'. As discussed elsewhere in this report, the US Congress legislated during March 2022 to regulate all forms of nicotine in the same way as tobacco. As a result of this regulatory change, manufacturers and markets of synthetic nicotine products must now submit a premarket tobacco application (PMTA) in order for their products to remain on sale in the US. While the Group submitted initial PMTA documentation in respect of its TFN products, the cost of pursuing the application through to completion was considered prohibitively expensive given that the product range was new and therefore lacked established distribution channels. The Group subsequently discontinued the TFN range and the remaining value of the TFN inventory has been discounted.

The Company's commercial activities during the reporting period consisted of ongoing sales of its legacy CBD products and the development of new business areas including nicotine free vapour products and the sales of products from third-party brands on the Chill.com website. A redesigned and refreshed Chill.com website was launched in October 2022, while sales of the first third-party products commenced in February 2023 with the addition of Mad Tasty hemp-infused sparkling water products. Numerous other brands have now joined the site both in the UK and the US.

On 16 March 2023 the Company announced that it had raised £560,000 (before expenses) from a financial institution. The fundraise consisted of a subscription for 16,000,000 new ordinary shares of 1 pence each at a price of 3.5 pence per share.

On 3 April 2023 the Company announced that it had raised £2.6 million (before expenses) from a high net worth investor. This consisted of a subscription for 25,000,000 new ordinary shares of 1 pence each at a price of 4 pence per share for a total of £1,000,000,000, and the issue of convertible unsecured loan notes with a value of £1.6 million. The Convertible Loan Notes carry a coupon of 12% per annum for a term of three years from the date of issue on 31 March 2023, and are convertible into ordinary shares at 8 pence per share.

The Company received its first nicotine-free vapour products in late March 2023 and no sales of these products were recorded during the reporting period. Since the end of the reporting period the Company has worked with pilot stores in Arizona, Colorado and Florida to gather sales data and establish a market fit for the nicotine-free vapour products. The Company continues to expand its roll out and distribution of nicotine-free vapour products to distributors and retailers in the US.

On 18 May 2023, the Company announced that it had entered into an agreement with The Vaping Group for the marketing and distribution of its nicotine-free vapour products in the UK. The Company's nicotine-free vapour products, marketed as 'Chill Zero', will become available for purchase by UK customers, distributors and retailers during Summer 2023. The UK distribution of Chill Zero nicotine-free vapour products is expected to make a significant contribution to the Company's revenues during the financial year ending 31 March 2024.

Revenue

During the Period the Company recorded revenues of £82,840 (2022: £624,187 – of which £447,814 was generated by a single sale event to Ox Distributing LLC as described below). Actual sales of its branded products to retailers and consumers exceeded this level, however recordable revenues were limited by circumstances relating to the ownership of these products. The Company sold a large portion of its CBD product inventory to its former master distributor and connected party, Ox Distributing LLC ("Ox"), during the year ending 31 March 2022. Extended payment terms agreed in relation to that sale provided the Company with cashflow during the Period in review as products sold through, however additional revenues could not be recognised for sales of products that had already been recorded as sold to Ox..

Going forward, the Board of Directors is confident that the Company will be able to improve revenues, primarily through the sale of its newly launched nicotine-free vapour products which are wholly owned by the Company.

Expenditure

During the period the Company took targeted steps to reduce expenditure, in particular those costs related to marketing activities and professional advisory fees. Notably, the Company incurred substantial legal costs during the prior financial year, a large portion of which was not settled until the start of the 2023 financial year. The Company negotiated with its former legal advisors, reducing the amount payable by more than £100,000. Numerous financial, legal and corporate consultancy agreements were also terminated during the 2023 financial year as contractual arrangements permitted.

During the year the Company incurred a one-off expense of \$800,000 in respect of the final payment for the acquisition of the Chill.com web domain. Further one-off costs related to legal advisory services in connection with the Company's range of synthetic nicotine products that were discontinued in August 2022. Additional legal costs were incurred in relation to an employment and intellectual property dispute with a former senior employee. That dispute has now been settled amicably and has not materially affected the Company's financial position or ongoing operations.

Overall, expenditure decreased as compared to the prior financial year. The Company has reduced costs associated with its staff and directors, while reducing its exposure to marketing costs through the termination of legacy sponsorship, advertising, and consulting contracts.

In addition to cash costs, the Group also incurred costs relating to share-based awards including those from prior periods that have been amortised and recorded over an extended period of time. Going forward, the Company will incur additional costs in relation to establishing sales and distribution channels for its range of nicotine-free vapour products. This, along with ongoing costs relating to the Company's listing on the London Stock Exchange, represent a significant portion of its ongoing costs base.

Liquidity, Cash and Cash Equivalents

At the year end, the Group held £3,767,426 at the bank (2022: £420,045).

Funding and Going Concern

During the Period the Group was sustained by fundraising activity that raised a total of £3,500,000 before costs through a combination of subscription shares at 2 pence per share and through convertible loan notes of 2 pence each with an aggregate value of £2,916,670 which will convert automatically on the publication of a prospectus by 31 May 2024 or the passing of legislation that means a prospectus is no longer required. The loan note aspect of the fundraising activity was made necessary by the Group's compliance with the FCA listing rules which limited the Board's ability to issue subscription shares to that value. Further funds were raised from an Open Offer to the Group's long-term shareholders totalling £212,201 before costs. This fundraising was approved at a General Meeting of the Company's shareholders held in May 2022.

In March 2023 the Group raised £560,000 (before costs) from the issue of 16,000,000 new ordinary shares of 1 pence each at a price of 3.5 pence per share. This was followed by further fundraising activity as the Group raised £2,600,000 from a high-net-worth investor. This fundraise consisted of a subscription for 25,000,000 new ordinary shares of 1 pence each at a price of 4 pence per share, and the issue of convertible unsecured loan notes on 31 March 2023 with a value of £1.6 million, convertible into ordinary shares at 8 pence per share.

The Directors note that the Company's external independent auditors have recognised an uncertainty as to going concern in their report. This relates to the operation of convertible loan notes with an aggregate value of £2,916,670 issued to investors as part of the Company's fundraising activities in April and May 2022 (the "2022 Loan Notes"). The 2022 Loan Notes are set to automatically and compulsorily convert into ordinary shares upon the publication of a prospectus that has been approved by the UK Financial Conduct Authority. The loan notes will terminate and their principal value, along with any accrued interest, will become payable if the prospectus has not been approved by the FCA by 31 May 2024. It is this potential requirement to repay the 2022 Loan Notes that is the subject of the reported uncertainty as to going concern. This is because, in such circumstances, the Company may need to seek additional investment capital in order to settle the outstanding balance of the loan notes while continuing to operate its business.

The Company continues work to complete the preparation of a prospectus, with a number of drafts having been exchanged with the FCA. At the time of writing it is the expectation of the Directors, having consulted the Company's professional advisors, that the prospectus will likely be approved by the FCA in the near future and that the 2022 Loan Notes will therefore convert in advance of their termination date. Provided that the prospectus is approved and published in advance of the termination date on 31 May 2024, the principal value of the 2022 Loan Notes will not be repayable in cash and the Company will be absolved of the uncertainty as to going concern, subject to no other changes.

Noting the above, and given gross fundraising of £3.16 million since the start of 2023, the cost cutting efforts described in this report, and the continued focus of the Company's management on cash management, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 2.2 to the Financial Statements and in the Directors' Report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

CHIEF EXECUTIVE'S REVIEW AND STRATEGIC REPORT – OTHER MATTERS

Board Changes and Operational Composition

On 19 April 2022, the Group announced a reorganisation of its executive management team with my appointment to the Board of Directors in the capacity of Chief Executive Officer. In line with this change, the former Co-Chief Executive Officers have adopted alternative roles within the business. Antonio Russo now acts as the Group's Chief Commercial Officer with responsibility for the Group's sales and marketing activities. Trevor Taylor now acts as the Group's Chief Operating Officer with primary responsibility for reducing costs, sourcing, and distribution.

Feminised Hemp Seed Program

The Company also carries a significant inventory of feminised hemp seeds. The seeds are of a variety that, upon cultivation, yield plant matter with a high CBD content and low levels of THC. This characteristic is of paramount importance and holds significant value due to the legal and market considerations surrounding hemp cultivation. The high CBD and low THC profile ensures compliance with EU regulations, as hemp crops must contain THC levels below the legal threshold to be classified as industrial hemp.

The seeds are undergoing extensive testing with a view to securing entry into the European seed catalogue. Once included on this list, the seeds would become saleable to licensed cultivators in the European Union. During the latest testing cycle the Company's cultivation and testing partners observed anomalies relating to the colour of the plant matter and the presence of off types within the cultivation area. Further testing will be required to determine the source and prevalence of these anomalies.

The anomalies observed during the latest testing cycle are not expected to have any impact on the commercial potential of the feminised hemp seeds outside of the EU. These observations are specific to the testing and regulatory requirements within the EU, and they do not affect the viability or marketability of the seeds in other regions.

Going forward, the Company will gather additional data to determine the most appropriate course of action in relation to its inventory of feminised hemp seeds. This may include conducting further test cycles, offering the seeds for sale outside of the European Union, or seeking a buyer interested in continuing the development of hemp seed genetics with the varieties owned by the Company.

During the 2023 financial year, the Directors proactively explored the potential application of the Company's feminised hemp seeds for phytoremediation purposes. This involves the cultivation of hemp plants to mitigate environmental pollution and restore site contaminated by mining and other industrial activities. The Directors will continue to evaluate the potential benefits, market demand and regulatory landscape for this application of the hemp seeds and will determine whether further development of this business area will be viable.

UK Novel Foods Authorisation

In order to sell ingestible CBD products in the UK, the Company has progressed through the novel foods application process by submitting relevant applications to the Food Standards Agency (FSA). Novel Foods are defined as food items were not widely consumed in the European Union before May 1997.

The Company's Zoetic tinctures and Chill gummies have now been added to an updated FSA list of CBD food products that are linked to a credible application for authorisation. Products that have reached the validation stage undergo risk assessments and further examination by the FSA to determine their safety profile and suitability for sale in the UK market. The FSA has provided that the products can remain on sale during this stage of the Novel Foods application process.

The Company and its manufacturing partners have taken all necessary steps to comply with the requirements imposed by the FCA. Recent reports suggest the FSA may not complete the process required to provide full Novel Foods authorisation to CBD products until at least 2024. The Company will provide further updates regarding the status of its ingestible CBD products as the Novel Foods application process progresses.

Discontinuation of Synthetic Nicotine Products

In late 2021 the Company launched a new range of ‘Tobacco Free Nicotine’ (“TFN”) pouches containing synthetic nicotine. In March 2022, a Federal funding bill that amended the statutory definition of “tobacco product” was passed by the US Congress, giving the US Food and Drug Administration (“FDA”) authority over synthetic nicotine products. The FDA ruled that companies selling synthetic nicotine products should submit Premarket Tobacco Applications (“PMTA”) in order to remain on sale. While the Company filed the necessary application, the ongoing costs of completing a PMTA were considered prohibitive to the continuation of the Chill TFN product range. As announced on 3 August 2022, the Company has discontinued the development of synthetic nicotine products and the value of the remaining inventory has been written off.

Zoetic

The Group continues to operate the Zoetic brand of CBD-infused topical creams, beauty products and ingestible tinctures in the UK. While certain products (notably the CBD tinctures) have gained a core base of repeat customers, the skincare range has not achieved the same level of success. After much consideration, we have made the decision to retire non-performing products and focus our resources and energy on those products that perform well enough to justify ongoing production and investment. This will better enable us to allocate resources towards areas and activities that offer a clearer path to value creation.

Going forward, Zoetic tinctures and a select number of other products will remain on sale both via the brand’s website and on the Chill.com marketplace.

Prospectus

The Company is currently in the process of preparing a prospectus which, upon approval and publication, would lead to the issuance of 154,675,220 additional ordinary shares and up to 19,750,574 warrants for ordinary shares. This detailed prospectus has been carefully prepared with the assistance of the Company’s advisors and several drafts have been exchanged between the Company and the UK Financial Conduct Authority (FCA). Further information regarding the progress of the prospectus will be provided when appropriate.

Risks and Uncertainties Facing the Group

The Group’s commercial focus has changed substantially, and it now faces additional risks related to the production, marketing and sale of products in emerging categories. These may include regulatory risks alongside those related to the products sold by the Groups. The Group also faces more typical financial risks in common with comparable businesses.

The Board continues to monitor and mitigate a detailed list of risks that face the Group, but those listed below are considered to be of the highest importance given the likelihood of their occurrence or the materiality of their potential impact.

General Risks Relating to the Group’s Financial Position

While revenues from the Group’s consumer-facing activities continue to grow, the risk remains that sales will be insufficient to maintain the Group’s current level of expenditure on an ongoing basis. In light of this, the Board has

engaged in a cost-cutting exercise to ensure that the Group's business model remains lean while ensuring all commercial infrastructure is properly resourced. The Board has considered a variety of scenarios including a scenario of limited online sales without growth and a linked reduced cost base, and is prepared to execute further cost-cutting contingency plans to mitigate such risks should they arise.

Risks Relating to Logistics and the Supply of Products

Various geopolitical events pose a risk to the Group's supply chain and logistics activities in its core areas of operation across North America and the UK. Industry-wide issues relating to driver shortages, warehousing, international logistics, and transport may affect the availability and timely movement of the Group's products. Furthermore, some of the finished products sold by the Group are sourced from multiple component parts that are manufactured internationally. As a result of this, there remains a risk that local regulations could prevent the timely export of products, resulting in delays and disruption to the Group's operations.

The Board has engaged with all suppliers and partners to secure the continuity of its operations and continues to develop controls and procedures to limit the impact of any such risks.

Risks Associated with Laws and Regulations Relating to Vapour Products

Given the Group's recent focus on vapour products, it is now subject to risks that are specific to this category of goods. Vaping products are subject to evolving regulations, including age restrictions, packaging requirements, advertising restrictions, and product safety standards. Failure to comply with these regulations can result in fines, and penalties along with reputational damage that could hamper the Group's ability to operate in the space.

Vapour products are complex electronic devices, and any defects or malfunctions could result in injuries or property damage. Furthermore, the sale of vapour products may expose the Group to risks related to public health concerns as the long-term effects of vaping are still being studied. A significant body of evidence suggests that vapour products are significantly safer than cigarettes and other tobacco products, however it cannot be asserted that there are no health risks related to vaping.

Finally, the volatile nature of the regulatory landscape can affect the availability and accessibility of vape products. Changes in laws or public sentiment may restrict sales channels, limit product availability, or impose additional taxes, which could significantly impact the Group's financial performance.

Risks Associated with Laws and Regulations Relating to CBD

The production, labelling and distribution of the products that the Group distributes are regulated by various federal, state and local agencies. As the Group continues its CBD operations, it must keep up with the evolving compliance environments of the territories in which it operates. This entails the building and maintaining of robust systems which ensure that our products and operations comply with the regulatory regimes of multiple jurisdictions.

Should the Group's operations be found to violate any such laws or other governmental regulation, the Group may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Group's operations, any of which could adversely affect the Group's business and financial results.

The Group may be required to obtain and maintain certain permits, licences, and approvals in the jurisdictions where its products are licensed and into which its operations expand. There can be no assurance that the Group will be able to obtain or maintain any necessary licences, permits or approvals.

Product Viability

If the products the Group sells are not perceived to have the effects expected by the end-user, its business may suffer. Many of the Group's products contain innovative ingredients or combinations of such ingredients. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry. Whilst the Group conducts extensive testing of its product stocks, there remains a risk that its products may not have the desired effect.

Product Liability

The Group's products are produced for sale to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. Accordingly, the Group maintains product liability insurance policies to safeguard against the implications of any claims that may arise.

Success of Quality Control Systems

The quality and safety of the Group's products are critical to the success of its business and operations. As such, it is imperative that the Group's (and its service providers) quality control systems operate effectively and successfully. Although the Group strives to ensure that all of its service providers have implemented and adhere to high calibre quality control systems, any significant failure or deterioration of such quality control systems could have a materially adverse effect on the Group's business and operating results.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure.

If any of the Group's products are recalled for any reason, the Group could incur adverse publicity, decreased demand for the Group's products and significant reputational and brand damage. Although the Group has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls.

Industry Competition

The consumer packaged goods industry is competitive and evolving, particularly for emerging products including vapour and CBD products. The Group faces strong competition from both existing and emerging companies that offer similar products. Some of its current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than the Group has. Given the rapid changes affecting the global, national, and regional economies generally, the Group may not be able to create and maintain a competitive advantage in the marketplace.

Risks Relating to Legacy Oil and Gas Assets

Despite having discontinued the operation of its legacy natural resource assets, the Group continues to monitor for risks relating to any liabilities arising from its former activities.

While the Group no longer owns any of its former legacy assets or sites, there remains a risk that the Group may be subject to costs and liabilities arising from any lawsuit, civil or regulatory action that may commence in respect of historical mining, drilling, extraction or other activities that the Group may have previously engaged in.

IT Security and Brand Protection Risks

As the Group's activities and profile expand, its digital assets and intellectual property rights may be challenged both legally by competitors and illegally by bad actors. With these risks in mind, the Group has engaged with numerous initiatives, protections, and countermeasures to ensure that its interests and those of its shareholders and customers are insulated against these risks. Our intellectual property rights are well protected through a series of international trade marks and patent applications, while our core systems and flagship Chill.com web domain are guarded by IT security professionals and robust protective frameworks.

Statement of the Directors in Performance of Their Statutory Duties in Accordance with s172(1) Companies Act 2006

Section 172 Statement (Companies Act 2006)

Under Section 172 of the Companies Act 2006, a director has a duty to promote the success of the company. The directors confirm that the deliberations of the Board, which underpin its decisions, incorporate appropriate consideration with due regard to the matters detailed in Section 172 of the Companies Act 2006.

As a result of its policies and procedures, the Board of Chill Brands Group PLC considers that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in decisions taken during the year ended 31 March 2022.

The Board and each director acknowledge that the success of the Company's strategy is dependent on the support and commitment of all the Company's stakeholders including employees, suppliers, advisers, vendors, distributors, shareholders, and other parties. The Group engages directly with stakeholders when it is necessary and appropriate to do so both through the medium of formal shareholder assemblies and through direct dialogue with advisers and other stakeholders. Owing to the Company's current size, employees and advisers are kept informed of its operations, challenges and aspirations even where they do not relate directly to the function served by a particular employee or adviser. Regular meetings are held to provide updates on the strategy and performance of the Company, with the views of all stakeholders taken into account during the decision-making process.

Each director acknowledges that it is their primary duty is to act in a way that promotes the long-term success of the company. In making decisions we consider the potential impact on the company's profitability, growth, and sustainability while maintaining a focus on delivering value to our members as a whole. We review the likely consequences of all strategies and decisions with a view to safeguarding the Company's longevity along with its ability to generate value for stakeholders over the long term. During the financial year ending 31 March 2023, the Directors made the decision to discontinue the Company's range of synthetic nicotine products. In making this decision, the Directors considered the short-term benefits to continuing development and sales of the products against the longer-term financial and regulatory risks of maintaining the range and, in particular, the significant costs with submitting associated product approval applications to regulators. It was determined that while continued development of that business area may generate additional sales in the near term, the financial risk relating to the regulatory costs associated with keeping a compliant synthetic nicotine product on the market would be detrimental to the Company's long-term prospects.

Before making the decision to expand the Company's operations beyond the production and sale of CBD products, the Directors engaged with established industry operators within the vapour products space to gain a more complete understanding of the market, the potential opportunities, and the associated risks. This process and the guidance of key stakeholders influenced the design decisions made when developing the Company's range of nicotine-free vapour products. The Company will continue to consult industry experts, peers, and stakeholders regarding its commercial activities in this space, prioritising the need to maintain a reputation as a commercially responsible industry participant. As mentioned in the section of this report addressing shareholder communications, the

Company's directors participate in media interviews, engage with investors with social media, and seek to facilitate open discourse of the Company's strategy and performance with a view to taking on a wide variety of view points that assist them when making decisions and executing on the Company's strategy.

In making decisions and carrying out the functions of the Company, the directors endeavour to reduce and, where possible, eliminate any negative impact then Company's operations may have on the community and the environment. In recent times, conversations have commenced with consultants specialising in public health and smoking cessation regarding the sale of the Company's vapour products. The Company's management team are also in consultation with businesses and experts involved in the recycling of vapour products containing lithium-ion batteries. Finally, the Directors have taken expert advice regarding relevant schemes, testing requires and accreditations relating to the manufacturing of vapour products with a particular understand of the need to maintain high standards of business conduct. The directors will continue to evaluate the Company's commercial activities, balancing the importance of generating and preserving value for members with the need to limit the social and environmental impact of its products.

The Board acknowledges the importance of balancing the needs and expectations of stakeholders but is often required to make difficult decisions based on competing priorities where the outcome may not be positive for all stakeholders. Decisions are always taken with the utmost regard and respect for all stakeholders, and the decision-making process has been formulated to ensure directors evaluate the merits and demerits of proposed activities and their likely consequences over the short, medium and long-term. This evaluation process was followed at the beginning of the financial period in review when the Board considered the need to raise funds to support the Company's ongoing viability. The status of the Company and its internal challenges, coupled with a challenging capital markets landscape, limited the fundraising options available to the Company and resulted in the need to consider raising funds at a discount to the Company's share price at the time. Although this resulted in the creation of downward pressure on the Company's value in the immediate period following the fundraising, it is the aim of the Board to safeguard the Company so that it can continue in existence over the long-term while fulfilling its operational purpose and creating value for stakeholders. The Directors recognise the importance of acting fairly between shareholders and are committed to promoting the success of the Company for the benefit of its members as a whole even if certain decisions do not provide short-term benefits to individual members.

Key Performance Indicators

The Group's current focus is on the continued development of its core business and the Board has yet to set key performance indicators as applicable to overall operations. The Board will seek to identify and measure such indicators as the Group's activities become more settled.

In the future, it is likely that specific indicators will be assigned to reflect progress within the Group's sales channels. For digital sales, major indicators are likely to include website traffic, conversion and retention rates, and average spend per consumer. In respect of physical retail sales, major indicators may include unit sell-through rates. More generally, the Group will report on revenue generated from across its full base of commercial activities.

Once established, the Group's financial, operational, health and safety and environmental key performance indicators will be measured and reported as appropriate.

Gender Analysis

The Group is committed to establishing a diverse Board of Directors but is equally conscious of the importance of appointing the people best suited to those roles. A split of our employees and Directors by gender at the year-end is shown below:

	Male	Female
Directors	5	None
Employees	None	2

The directors note that due to the size and scope of the Group, they do not yet meet the board diversity targets as specified in the Listing Rules.

Corporate Social Responsibility

We are committed to conducting business with the utmost honesty, integrity, and transparency. We value the rights and interests of our shareholders, employees and all other stakeholders. We strive to provide timely, regular and reliable communications regarding the business to those stakeholders and seek to engage with them when it is relevant and possible to do so.

We strive to create a safe and healthy working environment for the wellbeing of our staff and to create a trusting and respectful environment, where all members of staff are encouraged to feel responsible for the reputation and performance of the Group. As the business grows, we intend to build a diverse and dynamic workforce of talented individuals who are equipped to act for the benefit of the Company and its shareholders.

As we expand our product range to include nicotine-free vapour products, we are mindful that it has become increasingly important for the Company to take proactive steps to ensure it limits potential harm to society. We prioritise the safety and well-being of our customers by adhering to strict product quality control measures. We ensure that all our vape products meet or exceed industry safety standards, providing peace of mind to our customers. Additionally, we actively promote responsible vaping practices, including age verification procedures and clear communication on the potential risks associated with vaping. Through educational campaigns and informative materials, we aim to empower our customers to make informed choices regarding their habits.

We will continue to take steps to enhance our contribution to customer safety and responsible manufacturing and marketing practices.

Corporate Environmental Responsibility

As a consumer company with its past rooted in the natural resources sector, we understand how important it is to take responsibility for our impact on the environment.

The Group's policy is to minimize any adverse effect on the environment associated with its activities with a thoughtful consideration of such key areas as energy use, pollution, transport, renewable resources, health and wellbeing. The Group also aims to ensure that its suppliers and advisers meet their legislative and regulatory requirements and that codes of best practice are met and exceeded.

During the financial year, the Group's activities were analogous with those of other businesses producing, marketing and selling consumer-packaged goods.. As a result of this, the majority of all transportation and production of products was contracted to third parties. The Group does not operate its own retail locations and uses outsourced storage facilities and transportation services.

We understand the environmental concerns surrounding the vaping industry and have implemented measures to minimize our ecological footprint. We actively encourage recycling programs for vape product components, such as batteries and cartridges, and work with suppliers who prioritise sustainable sourcing and manufacturing processes.

In line with its plans for growth, the Group will ensure that any expansion of its activities will be considered in light of the associated effect on its emissions and waste output.

Further information regarding the Group's carbon emissions can be found at page 28 of this report.

KEY PERSONNEL

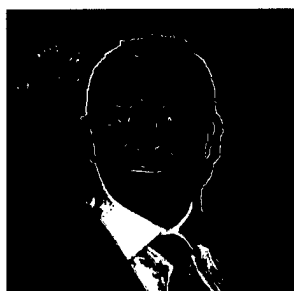


Callum Sommerton
Chief Executive Officer

As a former legal professional with brand protection and regulatory experience, Callum has helped to create, develop and protect major brands in multiple industries and across numerous jurisdictions. Prior to joining the Company he worked within the intellectual property team of renowned London law firm Mishcon de Reya where he gained extensive exposure to brand protection, litigation and corporate matters.

He went on to establish his own digital marketing and business growth consultancy practice providing strategic direction and support to a client base of public and private companies operating within the consumer goods, luxury lifestyle, and professional services sectors.

Before being appointed to his current position, Mr Sommerton served as International Brand Director providing holistic support to the Group's business both in the UK and the United States.



Trevor Taylor
Chief Operating Officer

Prior to joining the Group, Trevor Taylor co-founded a cannabis company that became the number 1 organic pre-roll selling brand in Colorado, the first state to legalise recreational cannabis in the United States.

Previously, Trevor was a partner and analyst at The Redstone Group, a multi-strategy merger and acquisition brokerage firm, and was the co-founder and COO of Old West Oilfield Services. In just over five years, Trevor helped take the company from its initial concept through the final exit to Cerberus Capital Management, a global investment firm. He has an extensive body of corporate management and business development experience.



Antonio Russo
Chief Commercial Officer

Antonio Russo is a cannabis and hemp industry expert, having operated in the space for over a decade. Before joining Chill he co-founded two cannabis companies, encompassing five fully licensed retail stores and three cultivation facilities nearing 100,000 total square feet. He previously served as Chief Compliance Officer of Colorado's #1 selling organic pre-roll brand.

Antonio is a former board member of MIG (Marijuana Industry Group), formed to help craft Colorado's earliest medical cannabis regulatory framework. Antonio was instrumental in the progression of Colorado Amendment 64, marked as a worldwide electoral first.



Eric Schrader
Non-Executive Director

Eric Schrader has worked in retail, distribution, and sales channels in the United States for over 15 years. Eric was a 4th generation co-owner in a family business that operated the largest convenience store chain in Northern Colorado for 84 years. He has a dynamic understanding of retail operations through working with some of the largest brands in the world such as: Shell Oil & Gas, Pepsi Co., Coca-Cola, Red Bull, Monster, Altria, BAT/R.J Reynolds Tobacco, JUUL and more.

He has a unique perspective with consumer packaged goods (CPG), having spent years as a buyer and as a sales representative on both sides of "B2B" business agreements.



Scott E. Thompson
Independent Non-Executive Director

Practising intellectual property law for over three decades, Scott has been repeatedly recognized by the World Trademark Reporter as one of the top 300 trademark attorneys in the world.

He has served in leadership positions at the largest brand companies in the world, including as Assistant General Counsel at Philip Morris Companies, Vice-President and Associate General Counsel at Colgate-Palmolive, and Vice-President of Global Trademarks at GlaxoSmithKline.

Most recently Scott was the General Counsel – Intellectual Property/Marketing Properties for Mars Incorporated. He also simultaneously served as the interim General Counsel for Mars Edge helping the start-up division in its first two years of growth in new innovative areas of business.

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2023.

Principal Activity

The Group is concerned with the development, production and distribution of nicotine-free vape products, CBD products and other consumer packaged goods. The Group is also focused on the development of an e-commerce marketplace for wellness and recreational products made with natural, functional ingredients including cannabinoids, hemp derivatives and others.

A detailed review of the activities for the period is given in the Chief Executive's Review and Strategic Report.

Results

The Group recorded a loss for the period after taxation from continuing and discontinued activities of £4,287,891 (2022: loss £5,711,503) and further details are given in the preceding Financial Review. No dividend has been paid during the period nor do the Directors recommend the payment of a final dividend (2022: nil).

Directors

The Directors who served at any time during the period up to the date of publication were:

C Sommerton	Chief Executive Officer (appointed 15 April 2022)
A Russo	Chief Commercial Officer
T Taylor	Chief Operating Office
E Schrader	Non-Executive Director
Scott E. Thompson	Independent Non-Executive Director

Details of the Directors' interests in the shares and warrants of the Company are set out in the Directors' Remuneration Report on pages 22 to 31.

Further details of the interests of the Directors in the share options and warrants are set out in Note 20 to the financial statements.

Substantial Interests

At 5 June 2023 the Company had been informed of the following substantial interests in the issued share capital of the Company:

	<u>Number of Issued Shares</u>	<u>Percentage of Capital</u>
Jonathan Mark Swann*	29,000,000	10.14
Ox Distributing**	26,775,416	9.35

* Mr Swann also holds convertible unsecured loan notes with a value of £1.6 million. The convertible loan notes carry a coupon of 12% annum for a term of three years from the date of issue on 31 March 2023, and will be convertible into Ordinary Shares at 8. Pence per Ordinary Share, representing a further 20,000,000 potential shares on conversion of the loan notes.

**Includes shares held personally by members of the Schrader family.

Share Capital

Chill Brands Group PLC is incorporated as a public limited company and is registered in England and Wales with the registered number 09309241. Details of the Company's issued share capital, together with the details of the movements during the period, are shown in Note 19. The Company has one class of ordinary shares and all shares have equal voting rights and rank *pari passu* for the distribution of dividends and repayment of capital.

Corporate Governance Statement

The Board is committed to maintaining appropriate standards of corporate governance. The statement below, together with the report on Directors' remuneration on pages 26 to 31, explains how the Company has observed principles set out in The UK Corporate Governance Code ("the Code") as relevant to the Company and contains the information required by section 7 of the UK Listing Authority's Disclosure Rules and Transparency Rules.

Given its current size, the Company has decided not to apply the Code provisions in full given its current size. The Company is a small company with modest resources. The Company has a clear mandate to optimise the allocation of limited resources to support its operations and future plans. As such the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to enhancing the Company's corporate governance policies and practices deemed appropriate to the size and maturity of the organisation. The Board will continue to review the status of the Company and its suitability to adopt further provisions of the Code and will seek to implement further standards when it is appropriate to do so.

Board of Directors

During the Period the Group's Board consisted of three Executive Directors and two Non-Executive Directors. Mr Callum Sommerton was appointed during the Period on 15 April 2022 and serves as the Group's Chief Executive Officer. Mr Antonio Russo and Mr Trevor Taylor previously acted as the Group's Co-Chief Executive Officers and now serve as its Chief Commercial Officer and Chief Operating Officer, respectively. Mr Eric Schrader and Mr Scott E. Thompson sit on the Board as Non-Executive Directors. Mr Schrader also leads field sales efforts for the Company in the US.

The Board meets regularly throughout the year to discuss key issues and to monitor the overall performance of the Company. The Board has a formal schedule of matters reserved for its decision. All matters the potential formation of committees, such as Remuneration and Nominations, are considered by the Board as a whole. More information about the Board can be found on the Group's corporate website www.chillbrandsgroup.com.

The Board is committed to adopting a formal Code of Corporate Governance when it is appropriate to do so.

Audit Committee

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects in all interim, final and price-sensitive reports and information required to be presented by statute.

During the Period the Group took steps to establish an audit committee, comprising Callum Sommerton, Trevor Taylor, and Scott Thompson. Whilst the audit committee is not formed of members in accordance with Corporate Governance guidelines, the Group believe the composition is commensurate with the size and scope of the Group and its operations. The committee is in the process of establishing its rules and operating procedures. This annual report and the financial statements contained herein were considered by the Board as a whole.

External Independent Auditor

The Board will meet with the auditor at least twice a year to consider the results, internal procedures and controls and matters raised by the auditor. The Board considers auditor independence and objectivity and the effectiveness of the audit process. It also considers the nature and extent of the non-audit services supplied by the auditor reviewing the ratio of audit to non-audit fees and ensures that an appropriate relationship is maintained between the Company and its external auditor. The Company has a policy of controlling the provision of non-audit services by the external auditor in order that their objectivity and independence are safeguarded.

As part of the decision to recommend the appointment of the external auditor, the Board takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Board's choice of external auditor.

Remuneration Committee

There is no separate Remuneration Committee at present, instead all remuneration matters are considered by the Board as a whole. It meets when required to consider all aspects of directors' and staff remuneration, share options and service contracts.

Nominations Committee

The Company has not yet established a nominations committee. Instead, nominations are considered by the Board as a whole with input from professional advisors and other key stakeholders.

Internal Financial Control

Financial controls have been established so as to provide safeguards against unauthorised use or disposition of the assets, to maintain proper accounting records and to provide reliable financial information for internal use. Key financial controls include:

- the maintenance of proper records;
- a schedule of matters reserved for the approval of the Board; and
- evaluation, approval procedures and risk assessment for acquisitions and capital expenditures.

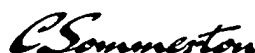
Shareholder Communications

During the year the Group made efforts to improve communications with shareholders. The Group uses its corporate website (www.chillbrandsgroup.com) to ensure that the latest announcements, press releases and published financial information are available to all shareholders and other interested parties. Members of the Board also engage regularly with investment media outlets in the form of articles and interviews which are intended to provide a more discursive and transparent insight into the business and its operations.

The Group also makes use of social media, both to provide non-material corporate updates regarding its activities and to market its products to relevant consumers. Content posted to social media platforms such as Instagram are intended as a form of engagement with customers and not as a forum for the discussion of corporate matters, however such posts may also be of interest to shareholders.

This Directors' Report was approved by the Board and signed on its behalf by:

- 21 -



Callum Sommerton, Chief Executive Officer

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report for the period ended 31 March 2023 and the Directors' Remuneration Policy will be proposed for approval by shareholders at the Group's Annual General Meeting that will be announced shortly and is expected to be held in early September 2023.

The Remuneration Policy is designed to attract, retain and motivate executive directors and senior management with a view to incentivising their commitment to the growth and long-term success of the Group. They are encouraged to safeguard the business and to generate shareholder value. Remuneration packages take into account the performance of directors, their relative workload, and the rates paid for such positions by comparable companies. It is the intention of the Board to balance the incentivisation of Directors for future success with the current financial performance of the Company when determining rates of remuneration. The Remuneration Policy has also been reviewed in line with the wider working and pay conditions for employees across the Group with a view to implementing a policy that is substantively fair and reflective of workloads and performance.

The current Executive Directors' remuneration comprises a basic fee which is reviewed semi-annually and which may be taken as salary or pension contribution, plus suitable health insurance provision for US Directors.

Future policy table

	<u>Base Salary</u>	<u>Pension Contribution</u>	<u>Benefits in kind</u>	<u>Bonus or incentive plan</u>
Executive Directors				
C Sommerton	GBP £85,000	Statutory Minimum	Nil	Ad hoc basis see below
A Russo	US \$175,000	Nil	See below	Ad hoc basis see below
T Taylor	US \$100,000	Nil	See below	Ad hoc basis see below
Non-Executive Directors				
E Schrader	\$10,000	Nil	Nil	Nil
S Thompson	\$15,000	Nil	Nil	Nil

The service contracts are reviewed annually.

Benefits in Kind

The Group pays healthcare premiums for its US staff at the prevailing rates.

Bonus or Incentive Plan

Executive Directors are eligible to participate in the Long Term Incentive Plan (LTIP) established by the Company to align the interests of shareholders with the interests and incentives of the executive management team, under which share options and conditional share awards (restricted share units) may be granted on a discretionary basis. There is no maximum opportunity under the LTIP. Awards will normally vest over a number of years, subject to time-based and/or performance conditions. Under the LTIP the Board has discretion to adjust the vesting of awards to avoid formulaic outcomes. Vested and unvested awards are subject to malus and clawback provisions. Annual bonuses may also be awarded at the discretion of the Board under the Company's Short Term Incentive Plan (STIP) which is intended to motivate exceptional performance and effort over the short term. Cash awards made under the STIP may be subject to performance conditions and must be approved by the Board as a whole.

Service Contracts

Mr. Sommerton was initially employed from 1 December 2021 in his previous capacity as International Brand Director. His Director's Service Contract in relation to his role as Chief Executive Officer commenced on 15 April 2023. Mr. Sommerton is paid at an annual rate of GBP £85,000 per annum plus contributions to the Group's statutory workplace pension scheme and the ability to participate in any bonus awards.

Mr. Russo and Mr. Taylor were employed on an initial fixed term of one year from 1 April 2019 and their contracts automatically renew annually for a further one year period unless either party gives at least 60 days' notice of termination prior to a renewal date, save in the case of a material breach of contract when the Executive can be dismissed without notice. Mr. Russo is paid at a rate of \$175,000 per annum reflective of his senior commercial sales role which does not feature any commission-based element as many other comparable roles do. In line with cost cutting measures, Mr. Taylor has agreed to a reduction in pay and is paid at a rate of US\$100,000 per annum. Both Mr. Russo and Mr. Taylor receive plus healthcare benefits and have the ability to participate in any bonus awards.

In the event of a termination or loss of office the Director is entitled only to payment of his basic salary (plus contractual benefits if applicable) in respect of his notice period. In the event of a termination or loss of office in the case of a material breach of contract the Director is not entitled to any further payment. Executive Directors are allowed to accept external appointments with the consent of the Board, provided that these do not lead to conflicts of interest. Executive Directors are allowed to retain the fees paid. The service contracts are available for inspection at the Company's registered office.

Approval by Members

The Group's remuneration policy will be put before the members for approval at this year's Annual General Meeting.

IMPLEMENTATION REPORT

Particulars of Directors' Remuneration (audited)

Particulars of directors' remuneration, including directors' warrants which, under the Companies Act 2006 are required to be audited, are given in Notes 6 and 21 and further referenced in the Directors' report.

Remuneration paid to the Directors during the year ended 31 March 2023' was:

Executive Director	Base Salary	Benefits in Kind	Share Based Compensation	Compensation for Loss of Office	Total
	£	£	£	£	£
C Sommerton*	90,000	-	-	-	90,000
A Russo	142,344	22,835	-	-	165,179
T Taylor	112,972	23,452	-	-	136,424
E Schrader	7,833	-	-	-	7,833
S Thompson	11,749	2,350	-	-	14,099

The benefits in kind represents healthcare and pension premiums that the Group pays for its directors at the prevailing rates.

*C Sommerton was appointed as a director in April 2022. In June 2022, his salary was adjusted to 85,000 from a previous salary of 115,000.

Remuneration paid to the Directors during the year ended 31 March 2022 was:

Executive Director	Base Salary	Benefits in Kind	Share Based Compensation	Compensation for Loss of Office	Total
	£	£	£	£	£
A Russo	94,415	27,176	235,045	-	356,636
T Taylor	94,415	27,176	235,045	-	356,636
E Schrader	-	-	-	-	-
S Thompson	-	-	18,500	-	18,500

Payments to Past Directors (audited)

There were no payments to past directors during the period ended 31 March 2023.

Payments for Loss of Office (audited)

There were no payments to past directors for loss of office during the period ended 31 March 2023.

Bonus and Incentive Plan (audited)

There were no formal bonus or incentives plans in operation during the period and no bonuses were paid to directors during the year.

Percentage Change in the Remuneration of the Chief Executive (audited)

The following table shows the percentage change in the remuneration of the Chief Executive in 2023 and 2022 compared to that of all employees, except directors, within the group.

		2023	2022	Change
		£	£	%
Base Salary	Chief Executive**	90,000	188,829	(52.34)
	All*	446,049	252,309	78.79
Bonuses	Chief Executive**	-	-	-
	All*	-	-	-
Benefits in Kind	Chief Executive**	-	53,831	(100)
	All*	46,287	440	10,419
Share Based Payments	Chief Executive**	-	470,090	(100)
	All*	-	27,018	(100)
Total Remuneration	Chief Executive**	90,000	712,750	(85.87)
	All*	519,386	279,766	(76.81)

*The figure for "all employees" excluding the Chief Executive.

**There were two individuals who fulfilled the role of Chief Executive concurrently during the comparative year. The figures for "Chief Executive" above are the combined total payments to the two individuals in relation to the period that they each undertook the role.

Relative Importance of Expenditure on Remuneration

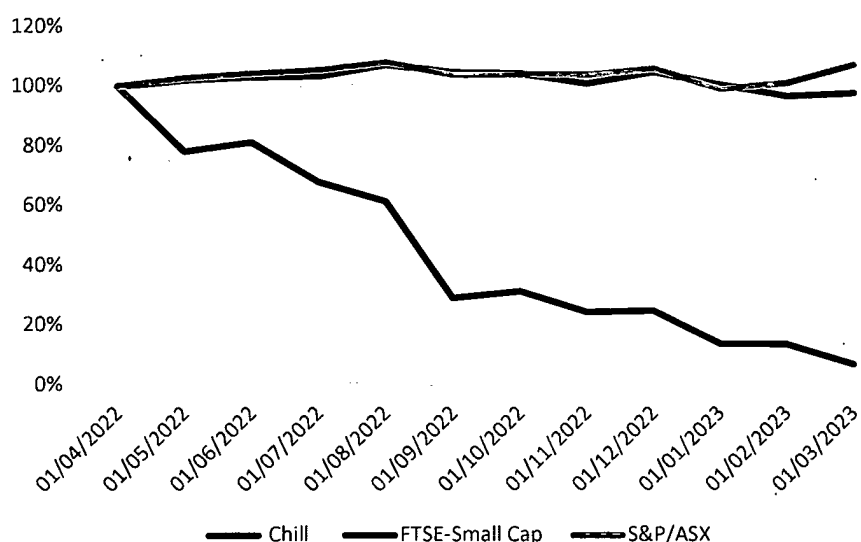
	2023 £	2022 £	Year on Year
Total Chief Executives Remuneration (including share based payments) *	90,000	712,750	(87%)
Distributions to Shareholders			N/A

Included in total remuneration is salary, bonuses, issued shares, compensation for loss of office and benefits.

*There were two individuals who fulfilled the role of Chief Executive concurrently during the comparative year. The figures for "Chief Executive" above are the combined total payments to the two individuals in relation to the period that they each undertook the role.

Total Shareholder Return

The following graph illustrates the percentage movement in the Company's share price over the year compared to the percentage movements over the same period of the S&P/ASX 200 and FTSE-Small Cap indices.



Historic Remuneration of the Chief Executive

Year	Salary	Bonus	Benefits in Kind	Share Based Payments	Total
	£	£	£	£	£
2019	221,779	147,853	47,914	-	417,546
2020	193,151	-	39,718	-	232,869
2021*	152,673	-	36,998	1,410,268	1,599,939
2022*	188,829	-	53,831	470,090	712,750
2023	90,000	-	-	-	90,000

*The role of Chief Executive was fulfilled by two individuals concurrently during the years ended 31 March 2022 and 2021. The figures for "Chief Executive" are the combined total payments for the two individuals during the period. Additionally in the years ended 31 March 2020 and 2019, the Chief Executive role was performed by other individuals.

Directors' Interest in Shares (audited)

The Company has no Director shareholding requirement.

The beneficial interest of the Directors in the ordinary share capital of the Company at both 31 March 2023 and 5 June 2023 was:

Director	Number of Shares		Percentage of Issued Shared Capital		Percentage Change
	31 March 2023	28 June 2023	31 March 2023	28 June 2023	
A Russo	6,950,000	6,950,000	2.67%	2.42%	(0.25%)
T Taylor	6,950,227	6,950,227	2.67%	2.42%	(0.25%)
C Sommerton	-	-	-	-	-
E Schrader	26,755,416	26,755,416	10.25%	9.41%	(0.84%)
S Thompson	100,000	100,000	0.00%	0.00%	0.00%

The Directors held the following options and warrants at the beginning and end of the period:

Director	At 1 April 2022	Granted in the Period	Exercised in the Period	Lapsed in the Period	At 31 March 2023
A Russo	2,887,500	-	-	-	2,887,500
T Taylor	2,887,500	-	227	-	2,887,273
Total	5,775,000	-	-	-	5,775,000

Remuneration Committee

There is no separate Remuneration Committee at present, instead all remuneration matters are considered by the Board as a whole. It meets when required to consider all aspects of directors' and staff remuneration, share options and service contracts.

Shareholder Voting at the Annual General Meeting

The Directors' Remuneration Report for the period ended 31 March 2022 and the Directors' Remuneration Policy were approved by the shareholders at the adjourned Annual General Meeting held on 31 October 2022. The votes cast were as follows:

Directors' Remuneration Report	Number of Votes	% of Votes Cast
For	47,605,730	98.22%
Against	863,270	1.78%
Total Votes Cast	48,469,000	100%
Number of Votes Withheld	91,573	

Directors' Remuneration Policy		
For	47,590,721	98.19%
Against	876,253	1.81%
Total Votes Cast	48,466,974	100%
Number of Votes Withheld	93,599	

This is the Company's seventh period of operation. From the outset, the Board has set out and implemented a policy designed in its view to attract, retain and motivate executive Directors of the appropriate calibre and ability. There have been no major changes during the period either in the policy on directors' remuneration or its implementation, including terms of service for the Directors.

This Directors' Remuneration Report was approved by the Board and signed on its behalf by:



Callum Sommerton, Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing this report and the financial statements in accordance with applicable United Kingdom law and regulations and those UK adopted International Financial Reporting Standards ("IFRS"). Company law requires the Directors to prepare financial statements for each financial period which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements in UK adopted IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those

regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

So far as the Directors are aware, there is no relevant audit information, as defined by Section 418 of the Companies Act 2006, of which the Group's auditors are unaware and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Consolidated Financial Statements are published on the Group's website <http://www.chillbrandsgroup.com>. The Directors are responsible for the maintenance and integrity of the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- the Company financial statements, prepared in accordance with UK adopted IFRS give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

ENVIRONMENTAL RESPONSIBILITY AND GREENHOUSE GAS DISCLOSURES

The Directors recognize the importance of assessing and managing the impact of the business and its operations on the environment. We actively monitor and engage with developments relating to emissions and other environmental issues, ensuring that the Company adopts a compliant approach to all relevant rules and regulations.

The primary environmental risks that are relevant to the Company include the production of carbon emissions from manufacturing processes, transportation and energy consumption; the management of waste including from packaging and products; and the sourcing of raw materials. As the Company's vapour products business develops, sourcing and waste management will become ever more important issues, especially in relation to the batteries contained within the devices. The Directors are committed to working with stakeholders and partners to ensure that the environmental impact of these products is minimised.

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations.

In calculating its greenhouse gas emissions, the Company used The Climate Registry's default electricity and natural gas square footage emission intensities to estimate electricity and natural gas usage for each office space. The result in kilowatt hours of electricity or cubic feet of natural gas used was multiplied by appropriate default emission factors to calculate metric tonnes of carbon dioxide equivalent (CO₂e).

The table below provides more information relating to the Company's greenhouse gas emissions and energy usage.

	Consumption: kWh	Consumption: Cubic Feet of Gas	Emissions: tCO ₂ e
Electricity	65,174	-	30.60
Natural Gas	-	109,853	5.99
		Total:	36.59

The Company will continue to monitor its environmental footprint and seek to minimise its output of carbon emissions, balancing commercial needs with environmentally responsible choices. In particular, the Company intends to take proactive steps to minimise environmental harms associated with the production and distribution of batteries contained within its vapour products. Further reporting, analysis and commentary will be provided in future reports once the Company's operations relating to vapour products have reached a more mature stage.

DISCLOSURE AND TRANSPARENCY RULES

Details of the Company's share capital and share options and warrants are given in Notes 20 and 21 respectively. There are no restrictions on transfer or limitations on the holding of the ordinary shares. None of the shares carry any special rights with regard to the control of the Company. There are no known arrangements under which the financial rights are held by a person other than the holder and no known agreements or restrictions on share transfers and voting rights.

As far as the Company is aware there are no persons with significant direct or indirect holdings other than the Directors and other significant shareholders as shown on page 24.

The provisions covering the appointment and replacement of directors are contained in the company's articles, any changes to which require shareholder approval. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control following a takeover bid and no agreements for compensation for loss of office or employment that become effective as a result of such a bid.

REQUIREMENTS OF THE LISTING RULES

The following table provides references to where the relevant information required by listing rule 9.8.4R is disclosed:

Listing Rule requirement

Details of long-term incentive schemes as required by Listing Rule 9.4.3R	None – see Directors' Remuneration Report pages 22 to 27
Details of any arrangement under which a Director of the Company has waived emoluments from the Company	Directors' Remuneration Report pages 22 to 27
Details of any allotment for cash of equity securities made during the period otherwise than to the holders of such equity shares other than in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders	Note 19 on page 65

Details of any contract of significance subsisting during the period to which the Company is a party and to which a Director of the Company is or was materially interested Note 24 on page 68

Details of remaining service contract period for director standing for re-election this year See service contracts details on page 27

FINANCIAL INSTRUMENTS

The Company has exposure to credit risk, liquidity risk and market risk. Note 24 presents information about the Company's exposure to these risks, along with the Company's objectives, processes and policies for managing the risks.

EVENTS AFTER THE REPORTING PERIOD

On 15 May 2023, the Company announced that it had issued 1,500,000 new ordinary shares of 1 pence each to a service provider at a price of 4 pence per share. The shares were issued in settlement of an invoice for investor relations and connected services, following the fundraise in March 2023 and ongoing work to assist the Company in communicating with investors.

On 18 May 2023, the Company announced that it had entered into a contract with The Vaping Group to act as a UK sales, distribution and marketing agent for its nicotine-free vapour products. Sales of Chill Brands' vapour products are expected to commence during Summer 2023, when an expanded range of products will be released to the UK market.

On 5 June 2023, the Company announced that it had secured relationships with a network of specialist shipping and fulfilment providers to facilitate direct to consumer sales of its vapour products in the United States.

On 21 June 2023, the Company announced that it had signed an agreement with a brand management agency to onboard multiple new brands and products to its Chill.com marketplace website.

DIRECTORS' INDEMNITY PROVISIONS

The Group has implemented Directors and Officers Liability Indemnity insurance.

GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Directors note that the Company's external independent auditors have recognised a material uncertainty as to going concern in their report. This relates to the operation of convertible loan notes with an aggregate value of £2,916,670 issued to investors as part of the Company's fundraising activities in April and May 2022 (the "2022 Loan Notes"). The 2022 Loan Notes are set to automatically and compulsorily convert into ordinary shares upon the publication of a prospectus that has been approved by the UK Financial Conduct Authority. The loan notes will terminate and their principal value, along with any accrued interest, will become payable if the prospectus has not been approved by the FCA by 31 May 2024. It is this potential requirement to repay the 2022 Loan Notes that is the subject of the reported uncertainty as to going concern. This is because, in such circumstances, the Company may need to seek additional investment capital in order to settle the outstanding balance of the loan notes while continuing to operate its business.

The Company continues work to complete the preparation of a prospectus, with a number of drafts having been exchanged with the FCA. At the time of writing it is the expectation of the Directors, having consulted the Company's professional advisors, that the prospectus will likely be approved by the FCA in the near future and that the 2022 Loan Notes will therefore convert in advance of their termination date. Provided that the prospectus is approved and published in advance of the termination date on 31 May 2024, the principal value of the 2022 Loan Notes will not be repayable and the Company will be absolved of the uncertainty as to going concern.

Noting the above, and given gross fundraising of £3.16 million during calendar year 2023, the cost cutting efforts described in this report, and the continued focus of the Company's management on cash management, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 2.2 to the Financial Statements and in the Directors' Report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The auditors refer to going concern by way of a material uncertainty within their audit report.

DONATIONS

The Company made no political donations during the period.

These statements of the Directors' Responsibilities were approved by the Board and signed on its behalf by:

A handwritten signature in black ink, reading 'C Sommerton' in a cursive script.

Callum Sommerton, Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHILL BRANDS PLC

Opinion

We have audited the financial statements of Chill Brands Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and as regards the Parent Company financial statements, 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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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. We are independent of the Group and 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 public interest 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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the going concern status of the Group is dependent on the successful publication of the Parent Company's prospectus and subsequent compulsory conversion of certain Convertible Loan Notes ("CLNs").

The Group issued CLNs on 13 May 2022 and 21 June 2022 with an aggregate value of £2,916,670 and £176,835 respectively (as disclosed in note 24). These CLNs have a termination date of 31 May 2024, which falls into the period under review with respect to the going concern assessment. The Directors have considered the terms and conditions of these CLNs, and note that they both contain a settlement option whereby they automatically convert into newly issued ordinary shares, on the publication of a prospectus or the passing of future legislation that means a prospectus is no longer required. The Directors consider the successful publication of the prospectus to be a likely event, which will occur prior to the termination date of the CLNs. We note that if the prospectus is not successfully published prior to the termination date, the principal amount of the CLNs becomes payable in cash.

As stated in note 2.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the terms and conditions of the CLNs;
- assessing and challenging key underlying assumptions used by the entity's management in the going concern model for reasonableness; and
- reviewing management accounts for portions of the going concern period to ascertain the forecasting accuracy of management and performing sensitivity analysis to stress test the going concern model.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatements, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriate level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined materiality for the financial statements as a whole of the Group to be £221,000 (2022: £257,000) based on 8% (2022: 6%) of loss before taxation adjusted for non-recurring transactions. The increase in the threshold for overall materiality from the prior audited period reflects a combination of factors, including but not limited to: reduced complexity of operations, increased knowledge of the business, reduction in revenue, and limited errors found in the prior year audit of the Group financial statements. We have used this benchmark to determine our materiality, which we believe is the key metric of the Group used by shareholders, as the Group seeks to reduce their cost base and refocus their business strategy. The Group performance materiality was set at £154,200 (2022: £154,200) based on 70% (2022: 60%) of Group materiality. In determining performance materiality of the Group, we considered the risk profile of the listed entity, including the lower sales activity in the financial period and a reduced number of complex, unusual transactions compared to prior financial periods. We agreed with the Board that we would report all audit differences in excess of £11,050 (2022: £12,850), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We determined materiality for the financial statements as a whole of the Parent Company to be £59,000 (2022: £71,000) on the basis of 8% (2022: 6%) of loss before taxation adjusted for non-recurring transactions. The increase in the materiality threshold of the Parent Company is in line with that of the Group, as outlined above. The Parent Company performance materiality was set at £41,300 (2022: £42,600) and was determined based on 70% (2022: 60%) of the Parent Company materiality, in line with the reasons outlined above. We agreed with the Board that we would report all audit differences in excess of £2,950 (2022: £3,550), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our approach to the audit

The Group includes the listed Parent Company and the US based subsidiaries, of which only Chill Corporation was considered to be significant. 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.

As part of our planning, we assessed the risk of material misstatement including those that required significant auditor consideration at the component and Group level. In particular, we looked at areas of estimation, for example in respect of the valuation of inventory and the carrying value and recoverability of intangible assets. Procedures were then performed to address the risk identified and for the most significant assessed risks of misstatement, the procedures performed are outlined below in the key audit matters section of this report. We re-assessed the risks throughout the audit process and concluded the scope remained the same as at planning.

Based on our assessment of the Group and its components, we focused our audit on the entities which we deemed as financially significant to the Group (Chill Brands Plc (UK) and Chill Corporation (US), being greater than 15% of Group loss before taxation) which were subject to full audit procedures. No component auditors were used. At Group level, we tested the consolidation and performed analytical review procedures on other components not in scope.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Carrying value and recoverability of intangible assets (note 13)	
The Group recognised an intangible asset of £1.21m at the year-end in the form of a domain name that was purchased in the prior period. The domain is considered key to the future success of the Group and there is a risk that the impairment assessment has been incorrectly performed and included management bias. Management performs an assessment on the carrying values of the asset which include judgements and estimates about the future business. Due to the estimation uncertainty and subjectivity, alongside the material nature of the carrying value of the intangible asset, this was considered to be a key audit matter in the audit for the year ended 31 March 2023.	Our work in respect of this key audit matter included: • Evaluating the carrying value as at 31 March 2023 in line with the requirements of IAS 38 <i>Intangible Assets</i>; • Reviewing for indicators of impairment in accordance with IAS 36 <i>Impairment of Assets</i>; • Reviewing and challenging management's assessment of impairment of the intangible asset and key assumptions and inputs used therein; and • Performing a range of sensitivity analysis on management's discounted cash flow model to

	assess the reasonableness of their assumptions. Key observations Based on the audit procedures performed, we are satisfied that the carrying value of the intangible asset is not materially misstated.
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Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the Group and Parent Company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the part of the Directors' remuneration report to be audited has been properly prepared in accordance with 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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters 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 and the part of the Directors' remuneration report to be audited 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, the Directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and Parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of our cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Group and Parent Company in this regard to be those arising from Companies Act 2006, Listing Rules, Disclosure and Transparency Rules, The Proceeds of Crime Act, The Food Standards Agency (FSA), The Federal Food, Drug, and Cosmetic Act (FD&C Act), as regulated by the FDA, which regulates the synthetic nicotine in the USA.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent Company with those laws and regulations. These procedures included, but were not limited to: enquiries of management; review of board minutes; review of Regulatory News Service announcements and review of legal / regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the carrying value of the intangible asset. We addressed this by challenging the assumptions and judgements made by management in their impairment assessment (see the Key audit matters section of our report).

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. In this context we view the significant estimates as being the carrying value and recoverability of the intangible asset, the valuation of share-based payments, the valuation of inventory and the valuation and classification of convertible loan notes.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Other matters which we are required to address

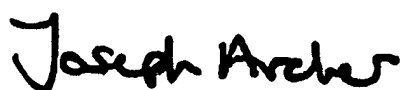
We were reappointed by the Board of Directors on 29 March 2022 to audit the financial statements for the period ending 31 March 2022 and subsequent financial periods. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 March 2019 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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.



Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
 Canary Wharf
 London E14 4HD

2023

Chill Brands Group PLC
Consolidated Statement of Comprehensive Income
For the years ended 31 March 2023 and 2022

	<u>Notes</u>	<u>Year ended 31 March 2023 £</u>	<u>Year ended 31 March 2022 £</u>
Revenue	3	82,840	624,187
Cost of sales		(61,798)	(738,555)
Obsolete inventory expense	15	(227,901)	(664,442)
Gross loss		(206,859)	(778,810)
Administrative expenses		(2,636,115)	(2,837,400)
Share expenses for options granted	20	(1,126,846)	(1,958,076)
Operating Loss	5	(4,115,654)	(5,574,286)
Finance income		24,159	1,962
Finance cost		(323,556)	-
Other income		6,203	-
Loss on ordinary activities before taxation		(4,263,014)	(5,572,324)
Taxation on loss on ordinary activities	8	-	-
Loss for the period from continuing activities		(4,263,014)	(5,572,234)
Loss for the period from discontinued activities	9	(24,877)	(139,179)
Loss for the period		(4,287,891)	(5,711,503)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign exchange adjustment on consolidation		(24,241)	271,869
Total comprehensive income for the period attributable to the equity holders		(4,312,132)	(5,983,372)
Basic and diluted earnings per share attributed to the equity holders:			
Attributable to continuing activities		(1.75) p	(2.65) p
Attributable to discontinued activities		(0.01) p	(0.06) p
Total	10	(1.76) p	(2.71) p

The notes on pages 45 to 73 form an integral part of the financial statements.

The financial Statements were approved by the Board of Directors on 27 July 2023 and signed on their behalf by:



Callum Sommerton – Chief Executive Officer

Chill Brands Group PLC
Registered Number: 09309241

Consolidated Statement of Financial Position

At 31 March 2023 and 2022

	Notes	At 31 March 2023 £	At 31 March 2022 £
Non-Current Assets			
Property, plant, and equipment	11	42,612	54,173
Right of use lease asset	12	210,216	260,376
Intangible assets	13	1,209,424	1,190,225
Total Noncurrent Assets		1,462,252	1,504,774
Current Assets			
Inventories, net	15	464,028	636,294
Trade and other receivables	16	447,367	700,199
Cash and cash equivalents	17	3,767,426	420,045
Total Current Assets		4,678,821	1,756,538
Total Assets		6,141,073	3,261,312
Non-Current Liabilities			
Long-term debt, excluding current maturities	24	4,034,726	50,463
Right of use lease liability, net of current portion	13	149,755	205,672
Total Noncurrent Liabilities		4,184,481	256,135
Current Liabilities			
Current maturities of long-term debt	24	468,893	18,494
Trade, other payables and accrued liabilities	18	540,641	1,384,255
Right of use lease liability, current portion	12	68,386	62,390
Total Current Liabilities		1,077,920	1,465,139
Total Liabilities		5,262,401	1,721,274
Net Assets		878,672	1,540,038
Equity			
Share capital	19	2,611,153	2,120,700
Share premium account	19	10,923,000	10,298,440
Shared based payment reserve	21	4,516,608	3,389,762
Compound loan note equity component reserve	22	419,168	-
Shares to be issued reserve	21	1,079,256	89,517
Foreign currency translation reserve		236,536	260,777
Retained loss		(18,907,049)	(14,619,158)
Total Equity		878,672	1,540,038

The notes on pages 45 to 73 form an integral part of the financial statements.

The financial Statements were approved by the Board of Directors on 27 July 2023 and signed on their behalf by:



CALLUM SOMMERTON

Chill Brands Group PLC
Registered Number: 09309241

Company Statement of Financial Position

At 31 March 2023 and 2022

	Notes	At 31 March 2023 £	At 31 March 2022 £
Current Assets			
Inventories	15	21,082	124,610
Trade and other receivables	16	122,647	97,670
Cash and cash equivalents	17	3,544,243	180,266
Total Current Assets		3,687,972	402,546
Total Assets		3,687,972	402,546
Non-Current Liabilities			
Long-term debt, excluding current maturities	24	4,024,766	32,500
Total Noncurrent Liabilities		4,024,766	32,500
Current Liabilities			
Current maturities of long-term debt	24	459,792	10,000
Trade and other payables	18	164,463	383,288
Total Current Liabilities		624,255	393,288
Total Liabilities		4,649,021	425,788
Net Liabilities		(961,049)	(23,242)
Equity			
Share capital	19	2,611,153	2,120,700
Share premium account	19	10,923,000	10,298,440
Shared based payment reserve	21	4,516,608	3,389,762
Compound loan note equity component reserve	22	419,168	-
Shares to be issued reserve	21	1,079,256	89,517
Retained loss		(20,510,234)	(15,921,661)
Total Equity		(961,049)	(23,242)

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss accounts and related notes. The result for the year ended 31 March 2023 was a loss of 4,588,573 (2022: 11,610,872).

The notes on pages 45 to 73 form an integral part of the financial statements.

The financial Statements were approved by the Board of Directors on 27 July 2023 and signed on their behalf by:



Callum Sommerton – Chief Executive Officer

Chill Brands Group PLC
Consolidated Statement of Changes in Equity
For the years ended 31 March 2023 and 2022

	Share Capital £	Share Premium Account £	Shared Based Payment Reserve £	Compound Loan Note Equity Component Reserve £	Shares To Be Issued Reserve £	Foreign Currency Translation Reserve £	Retained Loss £	Total £
At 31 March 2021	2,020,700	4,698,441	1,431,686	-	-	532,646	(8,907,655)	(224,182)
Comprehensive income for the period								
Loss for the period	-	-	-	-	-	-	(5,711,503)	(5,711,503)
Other comprehensive income								
Foreign exchange adjustment	-	-	-	-	-	(271,869)	-	(271,869)
Total comprehensive income for the period attributable to the equity holders	-	-	-	-	-	(271,869)	(5,711,503)	(5,983,372)
Issue of warrant and options	-	-	1,958,076	-	-	-	-	1,958,076
Shares to be issued	-	-	-	-	89,517	-	-	89,517
Shares issued in the period	100,000	5,900,000	-	-	-	-	-	6,000,000
Cost relating to share issues	-	(300,001)	-	-	-	-	-	(300,001)
At 31 March 2022	2,120,700	10,298,440	3,389,762	-	89,517	260,777	(14,619,158)	1,540,038
Comprehensive income for the period								
Loss for the period	-	-	-	-	-	-	(4,287,891)	(4,287,891)
Other comprehensive income								
Foreign exchange adjustment	-	-	-	-	-	(24,241)	-	(24,241)
Total comprehensive income for the period attributable to the equity holders	-	-	-	-	-	(24,241)	(4,287,891)	(4,312,132)
Issue of warrant and options	-	-	1,126,846	-	-	-	-	1,126,846
Shares to be issued	-	-	-	-	1,072,743	-	-	1,072,743
Shares issued in the period	490,453	799,471	-	-	(83,004)	-	-	1,206,920
Equity component of compound financial instrument	-	-	-	419,168	-	-	-	419,168
Cost relating to share issues	-	(174,911)	-	-	-	-	-	(174,911)
At 31 March 2023	2,611,153	10,923,000	4,516,608	419,168	1,079,256	236,536	(18,907,049)	878,672

The notes on pages 45 to 73 form an integral part of the financial statements.

Chill Brands Group PLC
Company Statement of Changes in Equity
For the years ended 31 March 2023 and 2022

	Share Capital £	Share Premium Account £	Shared Based Payment Reserve £	Compound Loan Note Equity Component Reserve £	Shares To Be Issued Reserve £	Retained Loss £	Total £
At 31 March 2021	2,020,700	4,698,441	1,431,686	-	-	(4,310,789)	3,840,038
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(11,610,872)	(11,610,872)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period attributable to the equity holders	-	-	-	-	-	(11,610,872)	(11,610,872)
Issue of warrant and options	-	-	1,958,076	-	-	-	1,958,076
Lapse of warrants	-	-	-	-	89,517	-	89,517
Exercise of warrants	-	-	-	-	-	-	-
Shares issued in the period	100,000	5,900,000	-	-	-	-	6,000,000
Cost relating to share issues	-	(300,001)	-	-	-	-	(300,001)
At 31 March 2022	2,120,700	10,298,440	3,389,762	-	89,517	(15,921,661)	(23,242)
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(4,588,573)	(4,588,573)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period attributable to the equity holders	-	-	-	-	-	(4,588,573)	(4,588,573)
Issue of warrant and options	-	-	1,126,846	-	-	-	1,216,779
Shares to be issued	-	-	-	-	1,072,743	-	1,072,743
Shares issued in the period	490,453	799,471	-	-	(83,004)	-	1,206,920
Equity component of compound financial instrument	-	-	-	419,168	-	-	419,168
Cost relating to share issues	-	(174,911)	-	-	-	-	(174,911)
At 31 March 2023	2,611,153	10,923,000	4,516,608	419,168	1,079,256	(20,510,234)	(961,049)

The notes on pages 45 to 73 form an integral part of the financial statements.

Chill Brands Group PLC
Consolidated Statement of Cash Flows
For the years ended 31 March 2023 and 2022

	2023 £	2022 £
Cash Flows From Operating Activities		
Loss for the period	(4,287,891)	(5,711,503)
Adjustments for:		
Depreciation and amortization charges	132,779	113,090
Inventory impairment provision	227,901	664,441
Loss on disposal of property, plant, and equipment and intangible assets	-	226
Promotional product in lieu of fees	41,818	-
Imputed interest on convertible loan notes	177,722	-
Share expenses for options granted	1,126,846	1,958,076
Shares issued as compensation	40,739	89,517
Foreign exchange translation adjustment	1,157	(319,545)
Operating cash flow before working capital movements	(2,538,929)	(3,205,698)
Increase in inventories	(30,029)	(61,957)
(Increase)/decrease in trade and other receivables	288,864	(564,106)
Increase/(decrease) in trade and other payables	(234,692)	1,268,131
Net Cash outflow from Operating Activities	(2,514,786)	(4,962,830)
Cash Flows From Investing Activities		
Purchase of property, plant, and equipment	-	(27,443)
Payment on purchase of intangible assets	(639,192)	(617,198)
Net Cash generated from/(used in) Investing Activities	(639,192)	(644,641)
Cash Flows From Financing Activities		
Net proceeds from issue of shares and shares to be issued	2,004,013	5,699,999
Proceeds from issue of convertible loan notes	4,693,504	-
Payments on long-term debt	(18,859)	(11,467)
Payments of lease liability	(66,173)	(52,801)
Net Cash Generated from Financing Activities	6,612,845	5,635,731
Net increase (decrease) in cash and cash equivalents		
As above	3,458,507	28,260
Cash and cash equivalents at beginning of period	420,405	333,176
Foreign exchange adjustment on opening balances	(111,486)	58,609
Cash and cash equivalents at end of period	3,767,426	420,045
Non-cash Items		
Shares to be issued for prepaid consulting fees	60,000	-

The notes on pages 45 to 73 form an integral part of the financial statements.

Chill Brands Group PLC
Company Statement of Cash Flows
For the years ended 31 March 2023 and 2022

	2023 £	2022 £
Cash Flows From Operating Activities		
Loss for the period	(4,588,573)	(11,610,872)
Adjustments for:		
Share expense for options granted	1,126,846	1,958,076
Shares issued as compensation	40,739	-
Imputed interest on convertible loan notes	177,722	
Inventory impairment provision	88,564	20,725
Impairment provision of loan to subsidiary	2,251,265	9,329,365
Operating cash flow before working capital movements	(903,437)	(302,705)
(Increase)/decrease in inventories	14,964	(94,999)
(Increase)/decrease in trade and other receivables	35,023	(55,554)
Increase/(decrease) in trade, other payables and accrued liabilities	(218,825)	(1,088,295)
Net Cash outflow from Operating Activities	(1,072,275)	(1,541,553)
Cash Flows From Investing Activities		
Investment in and loan to subsidiary	(2,251,265)	(4,152,141)
Net Cash Used from Investing Activities	(2,251,265)	(4,152,141)
Cash Flows From Financing Activities		
Net proceeds from issue of shares and shares to be issued	2,004,013	5,699,999
Proceeds from issuance of loan notes	4,693,504	-
Payments on long-term debt	(10,000)	(7,500)
Net Cash Generated from Financing Activities	6,687,517	5,692,499
Net increase (decrease) in cash and cash equivalents		
As above	3,363,977	(1,196)
Cash and cash equivalents at beginning of period	180,266	181,462
Cash and cash equivalents at end of period	3,544,243	180,266
Non-cash Items		
Shares to be issued for prepaid consulting fees	60,000	-

The notes on pages 45 to 73 form an integral part of the financial statements.

Notes to the Financial Statements

1. General Information

1.1 Group

Chill Brands Group, PLC (“the Company”) and its subsidiaries (together “the Group”) are involved in the sale and distribution of premium cannabidiol (CBD) products and vapour products. The Company, a public limited company incorporated and domiciled in England and Wales, is the Group’s ultimate parent company. The Company was incorporated on 13 November 2014 with Company Registration Number 09309241 and its registered office and principal place of business is 27/28 Eastcastle Street, London W1W 8DH.

1.2 Company Income Statement

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the financial period dealt with in the accounts of the Company amounted to £4,588,573 (2022: loss £11,610,872). The Parent Company has elected to prepare its financial statements in accordance with UK adopted IFRS.

2. Basis of Preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards. The Consolidated Financial Statements have been prepared under the historical cost convention as adjusted to fair values where applicable. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently for all periods presented in these Consolidated Financial Statements. The financial statements are prepared in pounds sterling and presented to the nearest pound.

2.1 Basis of Consolidation

The Group financial information incorporates the financial information of the Company and its controlled subsidiary undertakings, drawn up to 31 March 2023. Control is achieved where the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial information of subsidiaries to bring accounting policies into line with those used for reporting the operations of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.2 Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

During the Period the Group was sustained by fundraising activity that raised a total of £3,500,000 before costs through a combination of subscription shares at 2 pence per share and through convertible loan notes of 2 pence each with an aggregate value of £2,916,670 which will convert automatically on the publication of a prospectus or the passing of legislation that means a prospectus is no longer required. The loan note aspect of the fundraising activity was made necessary by the Group's compliance with the FCA listing rules which limited the Board's ability to issue subscription shares to that value. Further funds were raised from an Open Offer to the Group's long-term shareholders totalling £212,201 before costs. This fundraising was approved by at a General Meeting of the Company's shareholders held in May 2022.

In March 2023 the Group raised £560,000 (before costs) from the issue of 16,000,000 new ordinary shares of 1 pence each at a price of 3.5 pence per share. This was followed by further fundraising activity as the Group raised £2,600,000 from a high-net-worth investor. This fundraise consisted of a subscription for 25,000,000 new ordinary shares of 1 pence each at a price of 4 pence per share, and the issue of convertible unsecured loan notes on 31 March 2023 with a value of £1.6 million, convertible into ordinary shares at 8 pence per share.

The Directors note that the Company's external independent auditors have recognised a material uncertainty as to going concern in their report. This relates to the operation of convertible loan notes with an aggregate value of £2,916,670 issued to investors as part of the Company's fundraising activities in April and May 2022 (the "2022 Loan Notes"). The 2022 Loan Notes are set to automatically and compulsorily convert into ordinary shares upon the publication of a prospectus that has been approved by the UK Financial Conduct Authority. The loan notes will terminate and their principal value, along with any accrued interest, will become payable if the prospectus has not been approved by the FCA by 31 May 2024. It is this potential requirement to repay the 2022 Loan Notes that is the subject of the reported uncertainty as to going concern. This is because, in such circumstances, the Company may need to seek additional investment capital in order to settle the outstanding balance of the loan notes while continuing to operate its business.

The Company continues work to complete the preparation of a prospectus, with a number of drafts having been exchanged with the FCA. At the time of writing it is the expectation of the Directors, having consulted the Company's professional advisors, that the prospectus will likely be approved by the FCA in the near future and that the 2022 Loan Notes will therefore convert in advance of their termination date. Provided that the prospectus is approved and published in advance of the termination date on 31 May 2024, the principal value of the 2022 Loan Notes will not be repayable and the Company will be absolved of the uncertainty as to going concern.

Noting the above, and given gross fundraising of £3.16 million during calendar year 2023, the cost cutting efforts described in this report, and the continued focus of the Company's management on cash management, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The auditors refer to going concern by way of a material uncertainty within their audit report.

2.3 Business Combinations

There were no Business Combinations as defined by IFRS 3 (revised) during the period.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date.

2.4 Revenue Recognition

The Group has received revenue during the period from the sale of CBD and other related products. The Group has both online sales of CBD and other related products and retail sales through distribution channels in the United States and United Kingdom.

Online sales; the Group recognises revenues from the sales of products as the performance obligations are met. These performance obligations are met once the product has been delivered to the purchaser under the terms of the contract and the significant risks and rewards of ownership have been transferred to the customer.

Retail sales; the Group has distribution agreements with wholesale distributors who distribute the products to retail stores throughout the United States and United Kingdom. Revenue on distributor sales is recognised as the performance obligation is satisfied when the distributor initiates a purchase order and the product has shipped. For retail customer revenue, the performance obligation is satisfied when all contractual terms are met and ownership has been transferred to the customer.

Market Place Arrangement Sales; the Group has marketplace agreements with vendors who sell products on the Chill.com domain and pay Chill a commission fee. Revenue on Market Place Arrangement sales is recognised as the performance obligation is satisfied once the product owned by the vendor has been delivered to the purchaser under the terms of the contract and the significant risks and rewards of ownership have been transferred to the customer.

2.5 Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, is Callum Sommerton, CEO.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

The Board of Directors assess the performance of the operating segments based on the measures of revenue, gross profit, operating profit and assets employed.

2.6 Foreign Currency Translation

The Company’s consolidated financial statements are presented in Sterling (£), which is also the functional currency of the parent company. The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For UK based companies the functional currency is Sterling and for all USA based companies the functional currency is US Dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is also recognized directly in equity. When a gain or loss on a non-monetary item is recognized in the income statement, any exchange component of that gain or loss is also recognized in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparative) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in equity. Cumulative translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

2.7 Defined Contribution Pension Funds

From time to time the Group may pay contributions related to salary to certain UK employees' individual pension schemes. The pension cost charged against profits represents the amount of the contributions payable to the schemes in respect of the accounting period. No separate provision is made in respect of non-UK employees.

2.8 Investment In Subsidiaries

Investment in subsidiaries comprises shares in the subsidiaries stated at cost less provisions for impairment.

2.9 Property, Plant, and Equipment

All plant and machinery is stated in the financial statements at cost of acquisition less a provision for depreciation.

Depreciation is charged to write off the cost less estimated residual values of plant and equipment on a straight line basis over their estimated useful lives. Estimated useful lives and residual values are reviewed each year and amended if necessary.

<u>Fixed Assets</u>	<u>Useful lives</u>
Office and field equipment and furniture	3-7 years

Asset Retirement Obligations

The Group records the fair value of a liability for an asset retirement obligation in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. Liabilities are required to be accreted to their present value each period, and capitalized costs are depleted on a held-by-held basis using the units-of-production method. The periodic accretion expense is included in depreciation, depletion, amortization, and accretion in the consolidated and combined statements of operations. Upon settlement of liability, the Group will settle the obligation against its recorded amount and will record any resulting gain or loss in the consolidate and combined statements of operations. During the year ended 31 March 2022, the group paid £205,000 to settle the obligation. The group is awaiting approval for the remediation from the State of Montana. No amounts were paid in the year ended 31 March 2023.

Right of Use Lease Asset

The Group determines if an arrangement is a lease at inception if the contract conveys the right to control the use and obtain substantially all the economic benefits from the use of an identified asset for a period of time in exchange for consideration.

The Group identifies a lease as a finance lease if the agreement includes any of the following criteria: transfer of ownership by the end of the lease term; an option to purchase the underlying asset that the lessee is reasonably certain to exercise; a lease term that represents 75 percent or more of the remaining economic life of the underlying asset; a present value of lease payments and any residual value guaranteed by the lessee that equals or exceeds 90 percent of the fair value of the underlying asset; or an underlying asset that is so specialized in nature that there is no expected alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease.

Lease right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over the lease term. The Group's lease terms may include options to extend or terminate the lease. The Group includes these extension or termination options in the determination of the lease term when it is reasonably certain that the Group will exercise that option. The Group does not recognise leases having a term of less than one year in our consolidated statement of financial position.

2.10 Intangible Fixed Assets

The Group purchased the domain name Chill.com on 22 June 2021. This domain name is the only intangible asset held by the Group.

This domain name is stated in the financial statements at its cost of acquisition less amortisation. The domain name is amortised over 25 years using the straight line method. The balance as at the 31 March 2023 is £1,209,424 (2022: £1,190,225). The amortisation expense for the year ended 31 March 2023 is £50,470 (2022: £35,894). The net impact of translation adjustments on the intangible asset in the year ended 31 March 2023 was £69,669 (2022: £57,587) .

The Group analyses impairment of the intangible asset if internal or external factors or events cause the discounted fair value to be below the cost of the intangible asset.

2.11 Impairment Testing of Property, Plant and Equipment

At each balance sheet date, the Group assesses whether there is any indication that the carrying value of any asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rate to the other assets in the cash generating unit.

2.12 Inventories

Inventories are stated at lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of competition and costs necessary to make the sale.

Given the shelf-life of the Company's products, along with their relative saleability depending on remaining useful life, the following inventory provisioning policies shall apply. Exceptions may be applied at the discretion of the Board.

Label Life Remaining	Recognised Value (%)
Receipt of Product	100%
Six Months	75%
Four Months	50%
Two Months	25%
One Month	10%
Post-Expiry Date	0%

2.13 Long-Term Debt

Government Loans

The Group received a Paycheck Protection Program (PPP) loan during the year ended 31 March 2021 from the Small Business administration (SBA) as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is designed for qualifying businesses for amounts up to 2.5 times of the average monthly payroll expense of the qualifying business. The SBA will forgive PPP loans if all employee retention criteria are met and the funds are used for eligible expenses. The PPP loan initially is recorded as debt on the financials and 100% unsecured. If the loan is not forgiven, the Group must pay monthly principal and interest payments loan at a stated interest rate per year. The Group recognises grant income equal to PPP proceeds received upon forgiveness of the loan.

The Group received a Bounce Back Loan Scheme (BBLS) loan during the year ended 31 March 2021 managed by the British Business Bank on benefit of and with the financial backing of the Secretary of State for Business, Energy and Industrial Strategy. The BBLS loan initially is recorded as debt on the financials and the Group pay monthly principal and interest payments at a stated interest rate.

See Note 24 for additional information regarding these loans.

Convertible Loan Notes

The convertible loan note agreements, entered into by the company in the current period, have been classified as compound financial instruments under IAS 32. The fair value of the liability component is valued at the net present value of the contracted future cash flows, discounted at the Group's estimated cost of borrowing and is reported within loans and current maturity of loans. Interest imputed on the liability component is amortised to the statement of comprehensive income on a straight-line basis over the life of the instrument. The equity component represents the residual amount after deducting the amount for the liability from the value of the loan note principal. Further details of the loan note can be found in Note 24.

2.14 Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any

transaction costs associated with the issuing of shares are deducted from the Share premium account, net of any related income tax benefits. Equity-settled share-based payments are credited to a Share-based payment reserve as a component of equity until related options or warrants are exercised.

Shares to be issued are credited to the shares to be issued reserve as a component of equity until related shares are issued.

Retained loss includes all current and prior period results as disclosed in the income statement.

2.15 Share-based Payments

The Group issued warrants to the investors and certain counterparties and advisors as well as issuing share options to its Directors and US based staff in previous periods.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using either a Black Scholes or Monte Carlo pricing model, depending upon which methodology is most appropriate in relation to the terms and conditions of the options or warrants granted. The key assumptions used in the models have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group issues shares allocated as compensation to its US based staff and Directors. Upon vesting date, the shares are valued at the stated par value and share premium and recorded as compensation expense and share premium on the financial statements.

2.16 Taxation

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent

that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.17 Financial Assets and Liabilities Financial Assets

(a) Classification

The Group classifies its financial assets at amortised cost and at fair value through the profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Recognition and measurement

Amortised cost

Regular purchases and sales of financial assets are recognized at cost on the trade date, the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

(c) Fair Value Through the Profit or Loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL.

Financial assets at FTVPL, are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. Fair value is determined by using market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation utilized are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other the Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

(d) Impairment of Financial Assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original expected interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant

increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applied the simplified approach in calculation ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognized a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(e) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. This is the same treatment for a financial asset measured at FVTPL.

Financial liabilities

(a) Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging

instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

(c) Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss and other comprehensive income.

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortized cost.

2.18 Critical Accounting Judgements and Key Sources of Estimation

In the process of applying the entity's accounting policies, management makes estimates and assumptions that have an effect on the amounts recognized in the financial information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are those relating to:

- the carrying value of the investment in, and loan to, the subsidiary companies (Note 14)
- Fair value of options and warrants granted (Note 20)
- Useful life, lifespan and carrying value of the domain name Chill.com (Note 13)
- the provisions for inventory assets (Note 15)
- the calculation of the debt and equity component of the convertible loan notes (Note 22)

Carrying Value of Investment in, and Loan to, Subsidiary Companies

The Company had invested in the subsidiary companies which, whilst generating revenues, are not yet profitable or providing cash flows. Following the decisions to withdraw from the oil and gas sector in 2020, full provision has been made by the Company against the investment in share capital of the subsidiaries involved in those activities. The estimated used in forecasting the potential future cash generation by the CBD operations focus on business sensitive factors such as distribution agreements, sales volume, pricing and cost of sales. The Directors considered the recoverability of the loans to subsidiaries and do not expect to recover the loans in the near future. Due to this the Group has considered it necessary to impair the entirety of the loans to subsidiary companies.

Fair Value of Options and Warrants Granted

Fair value is measured using either a Black Scholes or Monte Carlo pricing model, depending upon which methodology is most appropriate in relation to the terms and conditions of the options or warrants granted. The key assumptions used in the models have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations, see Note 20.

Useful life and Carrying Value of the Domain Name

The domain name is amortised over 25 years using the straight line method, which was determined to be the estimated useful life of the domain name asset by the Group based on industry analysis. The Group analyses impairment of the domain name if internal or external factors or events cause the discounted fair value to be below the cost of the intangible asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the net present value of future cash flows over the life of the asset, based on historical sales on the domain, using a nil growth rate and a discount factor equal to the U.K 10 year GILT rate,

Provisions for Inventory Assets

Given the shelf-life of the Company's products, along with their relative salability depending on remaining useful life, the Group provides inventory provisions based on estimated shelf live, discussed above in note 2.12. Provisions for inventory are recorded when events or changes in circumstances indicate the carrying cost of inventories will not be fully realised.

Convertible Loan Note Classification

The convertible loan note agreements, entered into by the company in the current period, have been classified as compound financial instruments under IAS 32. The fair value of the liability component is valued at the net present value of the contracted future cash flows, discounted at the Group's estimated cost of borrowing of 12.5% The equity component represents the residual amount after deducting the amount for the liability from the value of the funds received.

2.19 Standards, Amendments and Interpretations to Existing Standards that are not yet Effective and Have not been Early Adopted by the Group

(a) New and amended Standards and Interpretations adopted by the Group and Company

No standards or Interpretations that came into effect for the first time for the financial year beginning 1 April 2022 have had an impact on the Group.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 April 2022

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the UK):

- Amendments to IAS 7: Supplier Finance Arrangements – effective 1 January 2024*
 - Amendments to IFRS 16: Lease Liability in a Sale Leaseback – effective 1 January 2024*
 - Amendments to IAS 1: Non-Current Liabilities with Covenants – effective 1 January 2024*
- *subject to UK endorsement*

The new and amended Standards and Interpretations which are in issue but not yet mandatorily effective are not expected to be material.

3. Revenue

	2023	2022
	£	£
Sales of CBD products and tobacco free nicotine	82,840	624,187

The geographical split of revenues of the sale of CBD and tobacco free nicotine products can be seen in note 4 below.

4. Segment Reporting

Under IFRS 8, there is a requirement to show profit or loss for each reportable segment and total assets and total liabilities for each reportable segment if such amounts are regularly provided to the CODM. While all operating segments are reviewed together, the Group has analysed the Groups segments based on geographical location.

Revenue by geographical location

	US Operations	UK Operations	Eliminations	Total
	£	£	£	£
Revenue	64,167	18,673	-	82,840
Cost of revenue	(33,964)	(27,834)	-	(61,798)
Obsolete inventory expense	(139,337)	(88,564)	-	(227,901)
Gross profit (loss)	(109,134)	(97,725)	-	(206,859)
Share-based payments charge	-	(1,126,846)	-	(1,126,846)
Other operating costs	(1,822,625)	(813,490)	-	(2,636,115)
Finance costs	-	(323,556)	-	(323,556)
Other income	6,053	24,309	-	30,362
Recovery (impairment) of intercompany loan	2,184,257	(2,251,265)	67,008	-
Net income (loss) from continuing activities	258,551	(4,588,573)	67,008	(4,263,014)
Total assets	2,453,101	3,687,972	-	6,141,073
Net assets	1,839,721	(961,049)	-	878,672

The Group's oil and gas activities have been discontinued as of the year ended 31 March 2020 with the remaining activities of the Group related to its CBD business activities in the United States and UK. Information relating to the CBD activities are shown in the primary statements, therefore all IFRS disclosures are incorporated within other notes to the financial statements.

5. Nature of Expenses

	2023	2022
	£	£
Within administrative expenses and share expenses for options granted, the following non-cash expenses are included:		
Depreciation of property, plant and equipment	14,405	16,833
Depreciation of right of use asset	67,904	59,025
Amortization of the domain name "Chill.com"	50,470	35,894
Finance Cost	323,556	-
Share-based payments charge	1,126,846	1,958,076
Lease operating expenses	48,669	3,274
Auditor's remuneration		
Audit of Group (note 7)	122,000	99,950
Director's remuneration (including share-based payment charge)	434,277	747,251
Staff costs (including Directors)	609,386	1,017,805

6. Directors and Staff Costs

The average number of staff during the year, including Directors, was 5 (2022: 5).

As shown staff costs for the Group, for the year, including Directors, were:

	2023	2022
	£	£
Salaries	536,049	441,138
Share based payments	-	488,790
Pension contributions	2,311	440
Healthcare Costs	46,287	54,352
	584,647	984,720
Social Security and other payroll tax costs	24,739	33,085
	609,386	1,017,805

The Directors have determined that there are no key management personnel other than the Directors during the year.

Management remuneration paid and other benefits supplied to the Directors during the period plus the associated social security costs were as follows:

	2023	2022
	£	£
Salaries	367,247	188,829
FV of options vesting in the year	-	488,790
Pension contributions	2,311	-
Healthcare Costs	46,287	54,352
	415,846	731,971
Social Security and other payroll tax costs	18,431	15,280
	434,277	747,251

7. Auditor's Remuneration

2023	2022
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Chill Brand Group PLC	£	£
Fees payable to the company's auditor for the audit of the individual and group accounts	67,200	44,978
Chill Corporation		
Fees payable to the company's auditor for the audit of the individual accounts	54,800	54,972

8. Taxation

	2023	2022
	£	£
Current tax	-	-
Deferred tax	-	-
Total	-	-
The charge/credit for the period is made up as follows:		
Corporate taxation on the results for the period	-	-
UK	-	-
Non-UK	-	-
Taxation charge/credit for the period	-	-
A reconciliation of the tax charge/credit appearing in the income statement to the tax credit that would result from applying the standard rate of tax to the results for the period is:		
Loss per accounts	(4,287,891)	(5,711,503)
Tax credit at the standard rate of corporation tax at a combined rate of 20%	(857,578)	(1,313,646)
Impact of unrelieved tax losses carried forward	(857,578)	1,313,646
Taxation credit for the period	-	-

The Directors consider that there are no material disallowable costs or timing differences in respect of the current year.

Estimated tax losses of £11,987,816 (2022:£8,851,648) may be available for relief against future profits, however, the estimated tax losses are dependent on eradication of losses on the change from a natural resources business to CBD business. The deferred tax asset not provided for in the accounts based on the estimated tax losses and the treatment of temporary timing differences, is approximately £2,397,563 (2022: £2,035,879). Utilisation of these losses in future may or may not be possible depending upon future profitability within the Group and the continued availability of the losses due to the change in the Group's core activities. The losses from the previous oil and gas activities have been excluded from the above due to the uncertainty of the value of the losses due to the change in activities.

No deferred tax asset has been recognized by the Group due to the uncertainty of generating sufficient future profits and tax liability against which to offset the tax losses. Although current tax rates in the U.S. differ to those in the UK, due to the uncertainty of timing of any available relief and the Corporation tax rates that would be applicable at that time in either the UK or the U.S., where the Group's operations principally occur, the Directors have assumed that the applicable tax rate will be 20%, which is a blended rate given that the tax rate in the USA is 21 percent and in the UK is 19 percent. Note 8 above sets out the estimated tax losses carried forward and the impact of the deferred tax asset not accounted for.

9. Loss for the Period from Discontinued Activities

During the year ended 31 March 2020, the Board decided that the Group should withdraw from all oil

and gas activities due to the continued volatility in the sector and the lack of progress in establishing profitable niche positions for the Group. The Group disposed of its interest in its East Denver producing wells, its Kansas operations and its patent portfolio along with its premises leases during the current year. The Group continues to incur costs on this sector in relation to the growing of the vegetation of the land in order to retrieve the bond deposit with the state.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Revenue and other income	-	657
Administrative expenses	(24,877)	(139,836)
Operating loss	(24,877)	(139,179)
Loss on ordinary activities before taxation	(24,877)	(139,179)
Taxation on loss on ordinary activities	-	-
Loss for the period from discontinued activities	(24,877)	(139,179)
Cash flows from discontinued activities		
Operating activities	(24,877)	(139,179)
Investing activities	-	-
Financing activities	-	-
	(24,877)	(139,179)

10. Loss Per Share

	Loss (£)	Weighted average number of shares	Per share amount (£)
For the year ended 31 March 2023			
Basic loss per share	(4,287,891)	242,977,694	(1.76)p
For the year ended 31 March 2022			
Basic loss per share	(5,711,503)	210,480,993	(2.71)p

The calculation of the loss per share is based on the weighted average of 242,977,694 shares (2022: 210,480,993 shares). The calculation includes ordinary shares in issue during the period and on the loss for the financial period after taxation of £4,287,891 (2022: £5,711,503) split between the loss on continuing activities of £4,263,014 (2022: £5,572,324) and the loss on discontinued activities of £24,877 (2022: £139,179).

Basic earnings per share is based on net income and is calculated based upon the daily weighted-average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not been issued as common stock.

Given that the Group is in a loss position, dilutive loss per share was not presented on the face of the financial statements as it would have an anti-dilutive effect. The dilutive effect of share options would have included an additional 243,472,070 weighted average number of shares for a total of 433,397,724. The total diluted loss per share for the year ended 31 March 2023 is £0.99p (2022: £2.61p).

11. Property, Plant and Equipment

Group Cost	Plant and Equipment	Total
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	£	£
At 31 March 2021	89,090	89,090
Additions	27,438	27,438
Disposals	(30,595)	(30,595)
Translation adjustment	4,115	4,115
At 31 March 2022	90,048	90,048
Depreciation		
At 31 March 2021	34,493	34,493
Charge for the year	16,833	16,833
Disposals	(17,066)	(17,066)
Translation adjustment	1,615	1,615
At March 31 2022	35,875	35,875
Cost		
At 31 March 2022	90,048	90,048
Additions	-	-
Disposals	-	-
Translation adjustment	5,462	5,462
At 31 March 2023	95,510	95,510
Depreciation		
At 31 March 2022	35,875	35,875
Charge for the year	14,405	14,405
Disposals	-	-
Translation adjustment	2,618	2,618
At 31 March 2023	52,898	52,898
Net book Value		
At 31 March 2021	54,597	54,597
At 31 March 2022	54,173	54,173
At 31 March 2023	42,612	42,612

12. Right-of-Use Asset

	Asset	Liability
	£	£
As of 31 March 2022	260,376	(268,062)
Lease Additions	-	-
Lease Disposals	-	-
Depreciation of right of use assets	(63,983)	
Lease Liability principal repayments	-	66,173
Foreign Exchange	13,823	(16,252)
As of 31 March 2023	210,216	(218,141)

Future minimum lease payments under non-cancellable operating leases		31 March 2023
		£
2024		68,386
2025		70,652
2026		72,955
2027		6,148
<i>Total</i>		218,141

The Group leases an office under a non-cancelable operating lease for an office facility with a remaining lease term of 4 years expiring on 30 April 2026 and an option to extend for another 5 years. The right of use asset is £210,216 and is reported within non-current assets in the Consolidated Statement of Financial Position. Operating liabilities are reported within the non-current liabilities in the Consolidated Statement of Financial Position. The Group has not entered into any finance leases. Operating lease costs under this lease for the year ended 31 March 2023 totaled £68,124 (2022: £52,802).

For leases with a term of 12 months or less (short-term leases) with no purchase option, IFRS 16 permits a lessee to make an accounting policy election by class of underlying asset not to recognise lease assets and lease liabilities. If a lessee makes this election, it should recognise lease expense for such leases generally on a straight line basis over the lease term. The Group has made this accounting policy election related to short-term leases for all classes of underlying assets and therefore the Group has not recognised lease assets and lease liabilities related to the lease with Racquette Hanger, LLC discussed in note 26.

13. Intangible Assets

	Domain Name "Chill.com"
	£
Cost	
Balance at 31 March 2022	1,226,119
Additions	-
Disposals	-
Translation Adjustment	74,337
Balance at 31 March 2023	1,300,456
Accumulated amortisation	
Balance at 31 March 2022	(35,894)
Charge for the year	(50,470)
Disposals	-
Translation Adjustment	(4,668)
Balance at 31 March 2023	(91,032)
Intangible Asset, net at 31 March 2022	1,190,225
Intangible Asset, net at 31 March 2023	1,209,424

The Group entered into an agreement to purchase the domain name “Chill.com” and all intellectual property rights that it has accrued in connection with the domain name and its use. The Group values the intangible assets at cost in accordance with IFRS 38 *Intangible Assets*.

For the purposes of recognition of the Asset’s value, the Group has determined that the Chill.com domain has an estimated useful life of 25 years, and its value should therefore be amortised over that same period.

In determining the appropriate estimated useful life of the Asset, the Group’s management has given consideration to the following factors:

- the treatment of domain assets by international regulatory bodies;
- the impact of the Asset on revenues generated by the Group;
- the continued development of an e-commerce platform under the Asset;
- the commercial opportunities attracted by ownership of the Asset; and
- the likelihood of realising the assets full purchase value on any future disposal.

The intangible assets are valued as of 31 March 2023 at £1,209,424 (2023) and £1,190,225 (2022). As of 31 March 2022, the Group owed £608,921 related to the purchase of the domain which was included in accrued liabilities in the Consolidated Statement of Financial Position. This was paid off in the year ended 31 March 2023 and therefore no further amounts are accrued. In respect of this, \$800,000 was paid on 9 June 2022 (£639,192 at the date of the transaction).

The Group analyses impairment of the domain name if internal or external factors or events cause the discounted fair value to be below the cost of the intangible asset. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds the net present value of future cash flows over the life of the asset, based on historical sales on the domain, using a nil growth rate and a discount factor equal to the U.K 10 year GILT rate. No impairment loss has been recognised on the domain name.

14. Investment in Subsidiary and Loan to Group Companies

Company	2023	2022
	£	£
Investment in subsidiaries at cost	15,746,468	15,746,468
Less: impairment provision	(15,746,468)	(15,746,468)
Investment in subsidiaries	-	-

The Company has three subsidiaries for the years end 31 March 2023 and 2022. All Subsidiary companies are consolidated in the Group’s financial statements.

Name	Place of Incorporation and Operation	Proportion of Ownership Interest	Gain (Loss) for the Year	Aggregate Capital and Reserves at 31 March 2023
Highlands Natural Resources Corporation	USA	100%	(£16,108)	£832,224
Highlands Montana Corporation*	USA	100%	-	(£3,685,668)
Chill Corporation*	USA	100%	£292,630	£1,007,566

*Owned by Highlands Natural Resources Corporation

The principal activity of the Chill Corporation is as a developer and producer of CBD, Vapes, and Tobacco Free Nicotine.

The principal activity of Highlands Natural Resources Corporation and Highlands Montana Corporation is oil and gas exploration and production. Operations for Highlands Natural Resources Corporation and Highlands Montana Corporation have been discontinued. The Company is in the process of closing these Companies once receipt of proper documentation from the State of Montana is received regarding the reclamation of the land.

The registered offices of the USA based subsidiaries are at 1601 Riverfront Drive Suite 201, Grand Junction, Colorado 81501, USA.

The ownership in all cases is of 100 per cent. of the issued ordinary shares of each company and in all cases represents 100 per cent. of the voting rights.

The investments in the shares of the subsidiaries are long term holdings and were initially made for the long term financing of the Group's oil and gas activities. Given the withdrawal of the Group from the oil and gas sector, and the associated losses generated from those discontinued activities, the Board has taken the view that there is no certainty of any significant sums being generated in the future from those activities to support the initial investment values. Consequently, the Company has made full provision against the investment in the shares of its US based oil and gas subsidiaries.

During the year, the Company made further loans to its USA based operating subsidiaries to fund the US operations. The Board does not consider that in due course such loans will be recoverable in full. Due to this, it was considered reasonable to impair the loans as of 31 March 2023. See Critical accounting judgements and key sources of estimation uncertainty at note 2.18.

Loan to Group Undertaking	Loan at Cost	Impairment Provision	Net Total
	£	£	£
At 31 March 2022	9,329,365	(9,329,365)	-
Additions	2,251,625	-	2,251,625
Impairment	-	(2,251,265)	(2,251,625)
At 31 March 2023	11,580,990	(11,580,990)	-

15. Inventories

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Finished Good	650,921	109,646	557,887	124,610
Raw Materials	357,903	-	337,445	-
Accumulated provision for obsolete inventory	(544,796)	(88,564)	(259,038)	-
Totals at 31 March 2023	464,028	21,082	636,294	124,610

Obsolete Inventory Expense	2023	2022
Write off of biomass and hemp inventory	-	326,028
Provision for TFN products	-	259,038
Write off of TFN products	-	28,586
Inventory provisions based on "best by" date	170,905	50,790
Provision of inventory due to slow movement	56,996	-
<i>Total charge for the year</i>	227,901	664,442

Below is a reconciliation of the movement of the accumulated provision for obsolete inventory for the Group for the period ended 31 March 2023.

Beginning accumulated provision for obsolete inventory	259,038
Provisions during the period	227,901
Inventory allowance for product previously recorded as a receivable	36,749
Translation adjustment	21,108
<i>Total charge for the year</i>	<u>544,796</u>

As a result of synthetic nicotine now being regulated in the same fashion as regular tobacco products, there is an ongoing question as to the viability of certain parts of our product range given the regulatory landscape is so uncertain and there is no guarantee that any product on the market will be safe from enforcement action. Against this backdrop, many retailers are unwilling to accept products or will only do so on a consignment basis with terms that are not commercially beneficial for Chill. They adopt this approach as a result of the regulatory uncertainty and it is on this basis that we have written down the value of the TFN products.

In FY22, due to changing regulations regarding synthetic nicotine products, management wrote down 80% of the TFN value. Based on the current best by date of these products, as of 31 March 2023, these products are now fully provided for.

Management reviews inventory best by dates and creates a provision for inventory based on the inventory provisioning policy discussed in Note 2.12.

16. Trade & Other Receivables

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Trade Receivables	16,331	842	515,566	1,274
Prepayments & other debtors	431,036	121,805	184,633	96,396
	<u>447,367</u>	<u>122,647</u>	<u>700,199</u>	<u>97,670</u>

All amounts in trade receivables are due within 3 months.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Fair values have been calculated by discounting cash flows at prevailing interest rates. See also Note 25.

The Group applies the IFRS9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The expected lifetime losses are considered to be £nil. All trade receivables are due with 90 days as at year end.

17. Cash & Cash Equivalents

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Cash at bank	3,767,426	3,544,243	420,045	180,266

Cash at bank comprises of balanced held by the Group in current bank accounts. The carrying amount of these assets approximated to their fair value.

The credit rating for Clydesdale Bank Plc were:

Rating Agency	Rating
Fitch	A-
Moody's	A3

18. Trade & Other Payables

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Trade and other payables	418,641	97,264	730,184	332,632
Accruals	122,000	67,200	654,071	5,506
	540,641	164,464	1,384,255	338,138

Trade payables, accruals and other payables principally comprise amounts outstanding for trade purchases and continuing costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Fair values have been calculated by discounting cash flows at prevailing interest rates. See also Note 25.

19. Share Capital

	2023	2022
	£	£
Allotted called up and fully paid:		
261,115,305 ordinary 1p shares (2022: 212,070,034 ordinary 1p shares)	2,611,153	2,120,700

The Company has only one class of share. All ordinary shares have equal voting rights and rank pari passu for the distribution dividends and repayment of capital.

	Number	Par Value of Shares Issued £
At 31 March 2022	212,070,034	2,120,700
20 April 2022 issue shares at 12.5p per share	100,000	1,000
21 April 2022 issuance of shares at 12.5p per share	500,000	5,000
26 April 2022 issuance of shares at 2p per share	29,166,699	291,667
27 May 2022 issuance of shares at 10p per share	227	2.27
17 June 2022 issuance of shares at 12p per share	1,768,345	17,683
04 July 2022 issuance of shares at 1p per share	1,500,000	15,000
04 July 2022 issuance of shares at 1p per share	10,000	100
14 March 2023 issuance of shares at 3.5p per share	16,000,000	160,000
Total number of shares in issue at 31 March 2023	261,115,305	2,611,153

Share Premium Account

	Shares	£
At 31 March 2022	212,070,034	10,298,440
20 April 2022 issuance of shares at 18.5p per share	100,000	17,500
21 April 2022 issuance of shares at 12.5p per share	500,000	57,500
26 April 2022 issuance of shares at 2p per share	29,166,699	291,667
27 May 2022 issuance of shares at 10p per share	227	20
17 June 2022 issuance of shares at 12p per share	1,768,345	17,683
04 July 2022 issuance of shares at 1p per share	1,500,000	15,000
04 July 2022 issuance of shares at 1p per share	10,000	100
14 March 2023 issuance of shares at 3.5p per share	16,000,000	400,000
Total number of shares in issue at 31 March 2023	261,115,305	11,097,911
Less: costs relating to share issue	-	(174,911)
At 31 March 2023	261,115,305	10,923,000

20. Share Options and Warrants

At 31 March 2023 there were options and warrants outstanding over 48,497,006 unissued ordinary shares (2022: 28,746,432). Details of the options outstanding are as follows:

Issued	Exercisable From	Exercisable Until	Number Outstanding	Exercise Price (p)
12 October 2016	Any time until	11 October 2026	250,000	27.75
8 October 2019	8 October 2021	8 October 2029	5,840,000	10.00
8 October 2019	8 October 2022	8 October 2029	65,000	10.00
8 October 2019	Any time until	8 October 2029	1,000,000	10.00
28 May 2021	Any time until	28 May 2026	10,000,000	60.00
1 June 2021	1 June 2022	1 May 2026	1,200,000	10.00
27 September 2021	23 September 2022	23 September 2026	10,391,432	10.00
26 April 2022	26 April 2022	26 April 2025	400,000	5.00
26 April 2022	26 April 2022	26 April 2025	10,000,000	10.00
26 April 2022	26 April 2022	26 December 2023	9,350,574	2.00
<i>Total</i>			48,497,006	

On 28 May 2021, 10,000,000 warrants were issued to investors exercisable at 1 pence per share. These warrants were issued to investors as part of new share placings. These investor warrants have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

On 1 June 2021, 1,200,000 options were issued to consultants. The fair value of £299,931 of these options were calculated using the Black-Scholes pricing model. The key inputs into the Black-Scholes pricing model were:

Share price at date of issue of options – 7.2p

Exercise Price – 10p

Historical volatility – 268%

Risk free rate – .86%

Expected dividend yield – nil

On 23 September 2021, 10,391,432 options were issued to strategic advisors. The fair value of £550,272 of these options were calculated using the Monte Carlo pricing model. The key inputs into the Monte Carlo pricing model were:

Share price at date of issue of options – 41.8p
 Exercise Price – 10p
 Hurdle 1 – 14p
 Hurdle 2 – 18p
 Historical volatility – 97.55%
 Risk free rate – 1.87%
 Expected dividend yield - nil

On 26 April 2022, 400,000 options were issued to investors at 5 pence per share. These warrants were issued to investors as part of new share placings. These investor warrants have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

On 26 April 2022, 10,000,000 were issued to investors at 10 pence per share. These warrants were issued to investors as part of new share placings. These investor warrants have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

On 26 April 2022, 9,350,574 were issued to investors at 2 pence per share. The fair value of these options were based on the agreed upon fee of 6% of the gross proceeds of the fundraise of £3,500,000.

The Directors held the following options and warrants at the beginning and end of the period:

Director	At 31 March 2022	Granted in the Period	Exercised in the Period	Lapsed in the Period	At 31 March 2023	Exercise price - pence
T Taylor	2,887,500	-	227	-	2,887,273	10p
A Russo	2,887,500	-	-	-	2,887,500	10p
<i>Total</i>	<i>5,775,000</i>	<i>-</i>	<i>227</i>	<i>-</i>	<i>5,774,773</i>	

The options held by T. Taylor and A. Russo are exercisable until 8 October 2029.

The market price of the shares at the year-end was 4.50 p per share.

21. Equity-settled Share-based Payments Reserve

	2023	2022
	£	£
At 31 March 2022	3,389,762	1,431,686
Share based payment charge on options and warrants in the year	1,126,846	1,958,076
At 31 March 2023	4,516,608	3,389,762

The details of the exercise price and exercise period of options outstanding at the year-end are given in Note 20 above.

Details of the options and warrants outstanding at the period end are as follows:

Options and Warrants	2023 Number	2023 Weighted average exercise price – pence	2022 Number	2022 Weighted average exercise price-pence
Outstanding at the beginning of the period	28,746,432	36.68p	7,155,000	10.90p
Granted	19,750,574	6.11 p	24,591,432	33.16p
Lapsed during the period	-	-	-	-
Exercised during the period	227	10p	-	-
Outstanding at the period end	48,496,779	24.23p	28,746,432	36.68p
Exercised at the period end	250,227	27.75p	250,000	27.75p

The options and warrants outstanding at the period end have a weighted average remaining contractual life of 2.99 years. The exercise price of the options and warrants outstanding at the period end range from 6.67p to 27.75p per share. Full details of the exercise price and potential exercise dates are given in Note 20 above.

22. Compound Loan Note Equity Component Reserve

The Company issued convertible loan notes in the current year which constituted a compound financial instrument under IAS 32. See further breakdown of the equity component of the loan notes that have been recorded in the Compound Loan Note Equity Component Reserve in Note 24.

23. Capital Commitments

There were no capital commitments at 31 March 2023 or 31 March 2022

24. Long Term Debt

Government Loans

Description	Maturity Date	Balance as of March 31, 2023 £	Balance as of March 31, 2022 £
Bounce Back Loan Scheme (BBLs) managed by the British Business Bank on benefit of and with the financial backing of the Secretary of State for Business, Energy and Industrial Strategy. The BBLs loan of £50,000 carries an interest of 2.50% rate per annum with repayment over 60 months	July 2026	32,500	42,500
Highlands Natural Resources Corporation entered into a Small Business Administration (SBA) loan of £154,078 with an interest of 1.00% rate per annum.	April 2025	19,060	26,458

Maturity Schedule of Government Loans	£
Current Portion	19,100
2025	18,456
2026	10,706
2027	3,298
<i>Total</i>	<u>51,560</u>

Convertible Loan Loans

On 13 May 2022, the Company issued convertible loan notes with an aggregate value of £2,916,670 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 145,833,495 shares at a conversion price of 2 pence per share is compulsory upon approval of the prospectus or a change in legislation where a prospectus is not needed between the date of issuance and through 31 May 2024. To the extent not already redeemed or converted, the notes then in issue shall be paid to the lender on 31 May 2024.

On 21 June 2022, the Company issued convertible loan notes with an aggregate value of £176,835 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 8,841,725 shares at a conversion price of 2 pence per share is compulsory upon approval of the prospectus or a change in legislation where a prospectus is not needed between the date of issuance through 31 May 2024. To the extent not already redeemed or converted, the notes then in issue shall be paid to the lender on 31 May 2024.

On 31 March 2023, the Company issued convertible loan notes with an aggregate value of £1,600,000 with an interest rate of 12%. The lender has the right between the date of issuance and through 1 April 2026 to serve a conversion notice on the Group to convert all or some of the notes outstanding into the applicable number of conversion shares up to 20,000,000 at the conversion price of 8 pence per share. To the extent not already redeemed or converted, the notes then in issue shall be paid to the lender on 1 April 2026.

The loan notes constitute a compound financial instrument under IAS 32. The liability component representing the net present value of future contractual cash flows. See below for a breakdown of the classification of the loan notes.

	Equity Component	Current Liability Component	Long-term Liability Component
13 May 2022 issuance	377,268	243,056	2,464,727
21 June 2022 issuance	22,849	14,736	148,611
31 March 2023 issuance	19,051	192,000	1,388,949
Total	419,168	449,792	4,002,267

Net Debt

The below chart outlines the changes in net debt for the Group during the year end 31 March 2023.

	At 31 March 2022	Cash Flows	Foreign currency adjustments	Other adjustments	At 31 March 2023
Cash and cash equivalents	420,045	3,458,867	(111,486)	-	3,767,426
Borrowings					
Debt due within one year	18,494	431,293	521	18,585	468,893
Debt due after one year	50,463	3,824,024	1,102	159,137	4,034,726
	68,957	4,255,317	1,623	177,722	4,503,619
<i>Total net debt</i>	351,088	(796,450)	(113,109)	(177,722)	(736,193)

25. Financial Instruments and Risk Management

The Group's financial instruments comprise primarily cash and various items such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations. The Group does not utilize complex financial instruments or hedging mechanisms in respect of its non-sterling operations.

Financial Assets by Category

The categories of financial assets included in the balance sheet and the heading in which they are included are as follows:

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Non-current assets				
Loan to group undertaking	-	-	-	-
Current assets				
Trade and other receivables	16,331	842	215,566	1,274
Cash and cash equivalents	3,767,426	3,544,243	420,045	180,266
Categorized as financial assets measured at amortized cost	3,783,757	3,545,085	635,611	181,540

The loan to group undertaking has no fixed repayment date and its future repayment will depend upon the financial performance of subsidiary.

All other amounts are short term and none are past due at the reporting date.

Financial Liabilities by Category

The categories of financial liabilities included in the balance sheet and the heading in which they are included are as follows:

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Current liabilities				
Trade and other payables	418,641	97,263	730,184	332,632
Loans	4,503,619	4,484,558	68,958	42,500
Categorized as financial liabilities measured at amortized cost	4,922,260	4,581,821	799,142	375,132

All amount, excluding loans, are short term payables in 0 to 9 months.

Credit Risk

The maximum exposure to credit risk at the reporting date by class of financial asset was:

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Trade and other receivables	16,331	842	515,566	1,274
Related party note receivables	155,901	-	425,519	-

Credit and Liquidity Risk

Credit risk is managed on a Group basis. Funds are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Group's liquid resources are invested having regard to the timing of payments to be made in the ordinary course of the Group's activities. All financial liabilities are payable in the short term (normally between 0 and 3 months) and the Group maintains adequate bank balances to meet those liabilities as they fall due.

Capital Management

The Group considers its capital to be equal to the sum of its total equity. The Group monitors its capital using a number of metrics including cash flow projections, working capital ratios, the cost to achieve development milestones and potential revenue from partnerships and ongoing licensing activities. The Group's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a growing concern, The Group funds its capital requirements through the issue of new share to investors.

Interest Rate Risk

The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Bank balances and receivables	3,767,426	3,544,243	420,045	180,266

The Group uses liquid resources to meet the cost of future development activities. Consequently, it seeks

to minimize risk in the holding of its bank deposits. The Group is not financially dependent on the small rate of interest income earned on these resources and therefore the risk of interest rate fluctuations is not significant to the business and the Directors have not performed a detailed sensitivity analysis. Nonetheless, the Directors take steps when possible and cost effective to secure rates of interest which generate a return for the Group by depositing sums which are not required to meet the immediate needs of the Group in interest-bearing deposits. Other balances are held in interest-bearing, instant access accounts. All deposits are placed with main clearing banks to restrict both credit risk and liquidity risk. The deposits are placed for the short term, between one and three months, to provide flexibility and access to the funds and to avoid locking into potentially unattractive interest rates.

Market Risk

Market risk arises from changes in interest rates, foreign exchange rates and equity prices, as well as in their correlations and volatility levels. Market risk is managed on a Group basis in the ordinary course of the Group's activities.

Currency Risk

The Group operates in a global market with income possibly arising in a number of different currencies, principally in Sterling or US Dollars. The majority of the operating costs are incurred in US Dollars with the rest predominantly in Sterling. The Group does not hedge potential future income or costs, since the existence, quantum and timing of such transactions cannot be accurately predicted. The exchange rate in US Dollars to Sterling was 1.239 and 1.314 as of 31 March 2023 and 2022, respectively.

Financial assets and liabilities denominated in US Dollars and translated into Sterling at the closing rate were:

	Group 2023	Company 2023	Group 2022	Company 2022
	£	£	£	£
Financial assets	758,117	-	1,102,683	-
Financial liabilities	(613,328)	-	(1,295,486)	-
Net financial (liabilities)/assets	144,789	-	(192,803)	-

The following table illustrates the sensitivity of the net result for the period and the reported financial assets of the Group in regard to the exchange rate for Sterling: US Dollar:

	2023 as Reported	If Sterling Rose 20%	If Sterling Fell 20%
	£	£	£
Group result for the period	(4,287,891)	(4,314,484)	(4,255,583)
US Dollar denominated net financial assets	144,789	120,658	180,986
Total equity at 31 March 2023	878,672	572,052	1,338,602

26. Related Party Transactions

Eric Schrader, a director of the Group, owns Racquette Hanger, LLC which let property to the Group during year for the storage and distribution of products. During the year ended 31 March 2023, the Group made rental payments to Racquette Hanger, LLC of £39,163. The Group paid no expenses to Racquette Hanger, LLC during the year ended 31 March 2022.

Eric Schrader, a director of the Group, has an interest in Kuma Creative which provided marketing services to the Group. During the year ended 31 March 2023, the Group made payments to Kuma

Creative of £36,889. The Group paid no expenses to Kuma Creative during the year ended 31 March 2022.

Scott Thompson, a director of the Group, is a partner at Lippes Mathias which provided legal advice to the Group. During the year ended 31 March 2023, the Group made payments to Lippes Mathias of £62,534. The Group paid no expenses to Lippes Mathias during the year ended 31 March 2022.

In the fourth quarter 2021, The Group entered into a distribution agreement with Ox Distributing LLC, a brokerage firm specializing in ecommerce shipping in convenience stores, grocery stores and other retail chains in the United States. Ox Distributing, LLC is owned by Eric Schrader, a related party to the Group given that he is a director of the company and has significant influence over the entity. During the year ended 31 March 2022, the Group made sales net of promotional discounts of CBD products to Ox Distributing, LLC, with terms equivalent to those that prevail in an arm's length transaction, of £520,138 resulting from the sale of CBD products to the company. As of 31 March, 2023 the Group has accounts receivable of £nil (2022: £8,928) owed by Ox Distributing, LLC. As of 31 March 2023 the Group has a note receivable from Ox Distributing, LLC of £155,900 (2022: £425,519). The note carries interest on the unpaid principal balance of 0% interest from 30 September 2021 through 31 January 2022 and shall bear interest at the short term rate of 0.18 percent per annum from 1 February 2022 until the note is paid in full on 1 May 2023.

27. Events After the Reporting Period

On 15 May 2023, the Group announced that it had issued 1,500,000 new ordinary shares of 1 pence each to a service provider at a price of 4 pence per share. The shares were issued in settlement of an invoice for investor relations and connected services, following the aforementioned fundraising and ongoing work to assist the Group in communicating with investors.

On 15 May 2023, the Group issued 25,000,000 of new ordinary shares at 1 pence each to an investor from the March 2023 fundraising at a price of 4 pence per share.

On 18 May 2023, the Group announced that it had entered into a contract with The Vaping Group to act as a UK sales, distribution and marketing agent for its nicotine-free vapour products. Sales of Chill Brands' vapour products are expected to commence during Summer 2023, when an expanded range of products will be released to the UK market.

On 5 June 2023, the Group announced that it had secured relationships with a network of specialist shipping and fulfilment providers to facilitate direct to consumer sales of its vapour products in the United States.

On 21 June 2023, the Group announced that it had signed an agreement with a brand management agency to onboard multiple new brands and products to its Chill.com marketplace website.

28. Control

In the opinion of the Directors there is no ultimate controlling party.