Company registered number 03727483

Distil Plc

Annual report

for the year ended

31 March 2025

Contents

Chair's statement

The past twelve months have been a period of both challenge and distinct progress, as we navigate a changing spirits market while advancing our strategic growth initiatives.

In the UK, our biggest market, we've seen further alcohol duty increases, a rise in employer National Insurance contributions and above inflation increases in power costs, cost of goods and minimum wage. Together, these additional taxes and operational costs have placed significant burdens on the industry, especially in the hospitality sector where we have seen many closures.

Against a challenging economic environment, consumer confidence has remained fragile and disposable income remains under pressure due to cost-of-living inflation. As a result, our business, along with many others, has suffered, and we're disappointed to report that revenues decreased 32% year-on-year, as reported in our trading updates.

Having been involved in the industry for many years I see the combination of increased operational costs, labour shortages and shifting social patterns as the most significant in a generation. This can however lead to new opportunities and fresh growth if the operators are given fair chance. Successful hospitality entrepreneurs tune in to their customer needs and are therefore able to adapt if given an environment where they can thrive. I share the belief that the benefits of a buoyant hospitality industry to physical social interaction, community and local employment are significant, and the industry should be better supported.

We are engaging with those industry bodies that are seeking to engage with government to listen to their needs. We're hopeful of period of political and economic stability to help restore consumer confidence in the medium term.

Distil plc remains focused on building an agile, low-overhead business centred on proprietary premium spirits brands. Our core portfolio: RedLeg Spiced Rum, Blackwood's Gin & Vodka, Blavod Black Vodka is the foundation of the business. The past year, in light of market conditions, was focussed on protecting and strengthening these core brands and we continue to protect and strengthen our intellectual property in all operating territories, ensuring that our brands remain competitive and differentiated.

A major development is our partnership with Global Brands Ltd, which took on management of our full UK distribution in February 2025. While initial stock-build boosted Q4 results, longer-term impact will be seen in the financial year ending March 2026. We're confident that the move will yield positive results, as the business boasts a strong sales team with good national coverage across all key channels.

Marketing and new product development

Echoing the overall business focus to stabilise through the turbulence, marketing this year was primarily directed towards volume-driving activity at point of purchase, such as in-store media in our major grocery customers.

Elsewhere, our direct-to-consumer channel was refreshed to make it easier for consumers to shop our brands. This included moving the e-commerce platform to enable greater flexibility of design and increased marketing function to better connect with and target consumers across the stores.

Results have been encouraging, with triple-digit uplifts vs the previous year across redlegrum.com. We continue to see digital marketing and e-commerce as a key channel for the brands to reach and retain consumers and will continue to invest in these platforms in terms of digital advertising.

In addition, we will continue to explore expansion of the range offered on these platforms, including exclusive formats, such as the RedLeg tasting gift set – a 5cl bottle of each core product (4 miniatures) – which launched this year, and merchandise. These additional formats allow consumers to trial products at a lower cost and foster greater engagement with the brand through merchandise. The channel offers higher gross margins, which will be re-invested into brand activity.

The year saw significant progress made at the Blackwoods Brand Home at Ardgowan Distillery, with structural and first-fit concluded. The final stages of opening, including final fit (furniture, finishes), are underway, and we hope to begin welcoming customers in Q3 2025 for tours and tastings, as well as bar service and retail. We will also begin to develop a range of distillery-exclusive bottlings and merchandise as part of this offering.

The new UK on-trade distribution partnership agreed with Global Brands in February 2025, will see an increased ability to activate in the on-trade as distribution grows, driving awareness and sales of our products in more venues.

Chair's statement (continued)

As consumer confidence begins to grow, we hope also to return to consumer-facing events to drive brand awareness and foster demand in both the on and off-trade channels.

As our focus is on building our core brands, we have taken the strategic decision to pause larger scale new product development, such as new-to-world brands, to focus budgets on maintaining and growing the existing portfolio.

Ardgowan

Works made good progress this year at the Ardgowan whisky distillery, with a grand opening event having taken place on 20 June 2025. The first whisky distillation marks a significant milestone in the journey, and the team is now working diligently to produce liquid that will be laid down in casks to be bottled under the Ardgowan brand once it comes of age.

The total investment into the site currently stands at over £28m.

As shareholders will be aware Distil invested £3m into the Ardgowan Distillery project in 2021 in the form of a convertible loan (convertible into Ardgowan equity at a fixed pre- conversion valuation of £30m representing 9.09% of Ardgowan's fully diluted share capital) to support the development of the new Malt Whisky distillery. The strategic investment provides the Company with a long-term interest in a growing premium category, ability to develop our own Malt Scotch, as well as providing a home for Blackwoods Gin with its own distillery, Gin school and visitors' centre.

Blackwoods production has already commenced on site and fit-out of the brand home experience is underway. Once open to the public, the Blackwoods brand home will provide an important new revenue stream for the business.

Cost Management and Operational Efficiency

Over the course of the year, we have taken proactive steps to mitigate the pressures of increased cost of goods to ensure we're still offering value to customers. We are closely monitoring market conditions to adjust pricing strategies where needed and are exploring all aspects of cost management. This approach allows us to address external inflationary pressures while carefully managing discretionary spending, balancing the need for brand growth with fiscal responsibility.

In addition, the partnership with Global Brands to manage full UK trade has operational benefits, as we are able to better manage our haulage costs.

Equity Fundraise

In October 2024, we successfully raised £650,000 gross proceeds through a placing and subscription of new ordinary shares at 0.12p per share. This capital strengthened our balance sheet, providing the resources necessary to service customers with stock at the busiest time for then business and support key growth initiatives, including the expansion of our brand portfolio, and development at the Ardgowan Distillery. I would like to thank our existing shareholders for their continued support and welcome new investors to the Company.

Strategic Review & Actions

It was announced in March 2025 that in order to address the challenging market conditions and ensure long-term shareholder value, we were undertaking a strategic review which includes but is not limited to the potential sale of unused intellectual property, exit options for non-core brands, and seeking near-term funding, as well as close review of business overheads and cost of goods.

This review is ongoing to ensure that all options have been given due attention to ensure the best outcome for the business.

Chair's statement (continued)

Post balance sheet events

After the year end, on 15 June 2025 we announced a variation of the terms of our loan investment in Ardgowan such that, effective from June 2025 the loan earns Distil an annual coupon of 6.5% and, on conversion, would give Distil a 10.5% equity ownership of Ardgowan.

As part of our ongoing strategic review, we also, on 12 September 2025 announced a successful equity fundraise, raising gross proceeds of £755k (£680k net of expenses) from existing and new investors. We have received £378k (less expenses) of these proceeds with receipt of the balance subject to approval by shareholders at the upcoming Annual General Meeting on 30 September. Proceeds will be used to strengthen our balance sheet and provide general working capital for the business.

Outlook

Looking ahead to FY25/26, we see reason for cautious optimism. Despite the challenges facing the industry, we believe that consumer confidence will start to return, and our brands are well positioned to benefit when the market returns.

Our expanded UK distribution network should begin to yield greater opportunities to drive volume and brand awareness in the on-trade, and our efforts to establish strong promotional plans in the off-trade will ensure we are able to build the brands in this channel.

We will continue our proactive approach to cost management and regular review of strategic options to ensure that the business is positioned for growth and delivery of shareholder value.

Donald Goulding

Executive Chair

Date: 29 September 2025

Strategic report

Results for the year

The loss before tax attributable to shareholders for the year amounted to £1,101k (2024: loss before tax £942k).

The market continues to face headwinds from duty hikes and rising living costs, which have squeezed both consumer spending power and margins. A further increase in alcohol duty took effect on 1 February 2025, with duty on non-draught spirits rising by 3.65% in line with inflation. Despite these challenges, while year-on-year sales revenues and volumes fell by 32% and 27% respectively, performance improved in the final quarter, with revenues up 34% and volumes up 21% compared to the prior quarter. Gross margins experienced a decline to 38% (2024: 48%) primarily due to a write down of inventory which accounted for an 8% reduction and the continued increase in the cost of raw materials as our suppliers implemented price increases in response to inflationary pressures. In the short term, we anticipate our gross margins to remain subdued as we navigate through these cost increases. However, we are optimistic that margins will gradually recover towards previous year levels over the medium term. This is supported by the anticipated benefits from our strategic partnerships, streamlined operations, and the enhancement of our brand's premium status.

Advertising and promotional costs decreased in absolute terms by £71k from £515k to £444k. As a percentage of sales, advertising and promotional spend amounted to 42% (2024: 33%) during the year. This included the launch of two further seasonal RedLeg Spiced Rum Limited Editions in Grocery and online, as well as consumer-facing activity including a billboard advertising campaign in Brighton, supported by consumer sampling. Further, promotion at point of sale in grocery was increased, to increase rate of sale and recruit new consumers. In addition, following a successful relaunch of direct-to-consumer brand websites, support was put behind digital advertising to reach and recruit more consumers, driving increased revenues in these channels.

Cash flow

The operating loss, combined with net movements in working capital, resulted in a net cash outflow from operating activities of £1,017k during the year (2024: £1,018k outflow). Net movements in working capital were affected by a 14% decrease in inventory, reflecting a deliberate optimization of working capital and stronger operational discipline. In addition, the impairment of certain stock has further strengthened the quality and accuracy of our inventory position. Despite a temporary slowdown in sales, the company's proactive inventory control has preserved cash, reduced holding costs, and positioned the business to respond quickly to renewed market demand. These actions highlight management's commitment to operational efficiency and strategic readiness for future growth. Following gross proceeds of £650k (£596k net of share issue costs) from the equity fundraise in October 2024, convertible loan interest income of £150k (2024: £150k) from Ardgowan and modest capex to support operational efficiency and future growth, the Company's cash and cash equivalents decreased by £188k to £338k (2024: £526k) at the financial year end.

Balance sheet

The Group had net assets of £5.68m at the financial year end (2024: £6.37m). These included £3.0m of financial assets (2024: £3.0m), in the form of our investment in Ardgowan, further details of which are set out below, cash reserves of £0.34m (2024: £0.53m) and intangible assets of £1.43m (2024: £1.45m) including expenditure on trademarks related to our brands. Inventories decreased to £1.04m (2024: £1.21m) primarily due the optimisation of purchasing and production planning reducing excess and slow-moving stock.

Principal activities and business review

Distil Plc (the "Company") acts as a holding company for the entities in the Distil Plc Group (the "Group"). The principal activity of the Group throughout the period under review was the marketing and selling of RedLeg Spiced Rum, Blackwood's Vintage Gin, Blackwood's Vodka, Blavod Original Black Vodka, TRØVE Botanical Spirit and Diva Vodka.

Strategic report (continued)

During the 2025 financial year we encountered challenges in the form of a softer-than-expected UK spirit market, impacted by inflationary pressures across our supply chain and ongoing economic difficulties. Across the total spirits trade, volumes declined as consumers, facing continued spending pressures, cut back on consumption, or turned to categories perceived as less expensive, such as beer and cider. Although the headline rate of inflation fell, prices within the UK continued to rise, particularly within the spirit's sector. These pressures were exacerbated by the August 2023 duty increase, the largest tax hike in almost 50 years, and further impacted by the February 2025 duty increase, which raised excise rates on spirits in line with RPI inflation. Together, these duty increases have added to cost pressures and contributed to margin compression.

Our focus for the upcoming year is on driving revenue growth both domestically and internationally. In the UK, the establishment of our new partnership with Global Brands provides access to their extensive sales network, logistics, and warehousing capabilities, enhancing our service to grocery, off-trade, cash & carry, and convenience customers. This partnership represents a significant opportunity to collaborate with a long-standing industry partner, supporting accelerated brand growth and strengthening our market presence going forward.

We further plan to achieve growth through strategic marketing efforts, expanding our sales channels, opening new export markets, and introducing new products to the market. Concurrently, we are committed to ensuring that our overhead costs remain appropriate for the size and scale of our operations.

Key performance indicators

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

- **Sales turnover versus previous year**

Total sales decreased £480k year-on-year to £1.04m (2024: £1.52m). Sales of RedLeg Spiced Rum which accounts for most of the sales revenue decreased 31% whilst Blackwood's gin posted a 50% decrease in revenue during the period. Blackwood's Vodka experienced a decrease in sales of 58%.

- **Contribution – defined as gross margin less advertising and promotional costs.**

Contribution for the year decreased £271k to a loss of £50k (2024: £221k), a decrease of 123%. This decrease was primarily due to a 32% decrease in overall sales revenues whilst advertising and marketing costs fell 14% compared to prior year.

- **Gross margin versus previous year**

Gross margin experienced a reduction to 38% (2024: 48%) mainly due to a write down of inventory which accounted for an 8% reduction and continued increases in the cost of raw materials. We expect our adjusted distribution strategies to alleviate these cost escalations in the short to medium term. By capturing additional margin from the supply chain and focusing on the premiumisation of our brands, we aim to counteract the impact on gross margin.

We also closely monitor both the level of, and value derived from our advertising and promotional costs and other administrative costs. Advertising and promotional expenses accounted for 43% of revenue (2024: 34%) during the year, reflecting our continued commitment to investing in existing and new brand development.

Other administrative costs remained flat at £1.09m (2024: £1.09m).

Principal risks and uncertainties

As a relatively small but growing business, our senior management is naturally involved day to day in all key decisions and the management of risk.

The Directors are of the opinion that a thorough risk management process has been adopted by the Board, which involves a formal review at Board level of the principal risks identified below. Where possible, structured processes are in place to monitor and mitigate such risks.

Strategic report (continued)

- **Economic downturn**

  The success of the business is reliant on consumer spending. An economic downturn, resulting in reduction of consumer spending power, will have a direct impact on the income achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

- **High proportion of fixed overheads and variable revenues**

  A large proportion of the Group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Senior management closely monitor fixed overheads against budget monthly and cost saving exercises are implemented wherever possible when there is an anticipated decline in revenues.

- **Competition**

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

- **Failure to ensure brands evolve in relation to changes in consumer preferences**

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

- **Portfolio management**

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

Future developments

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

Brand activation and marketing at the point of sale:

- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:

- Pack sizes & formats, new brands, liquids, and flavours.
- Limited Edition products.

Route to consumer:

- Build long term relationships with capable local distributors in each key market.
- Increase direct to consumer sales through website
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.
- Leverage Blackwoods brand home experience which will feature tours, a cocktail bar, and retail space.

Access to new production and design:

- Across all aspects of distilling, bottling, and packaging.

Strategic report (continued)

Section 172 statement

Directors of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members, considering the non-exhaustive list of factors set out in Section 172 of the Companies Act 2006.

Section 172 also requires directors to make a conscious effort to understand the interests and expectations of the Company's stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable success for our business.

Engagement with our members and wider stakeholder Groups plays an essential role throughout our business. We are cognisant of fostering an effective and mutually beneficial relationship with each stakeholder Group. Our understanding of stakeholder needs and concerns is factored into boardroom discussions regarding the potential long-term impacts of our strategic decisions on each Group. This approach is expected to help the Board maintain effective, sustainable, and mutually beneficial relationships.

Post the reporting year end, the Board have continued to have regard to the interests of Distil's stakeholders, including the potential impact of its future activities on the community, the environment and the company's reputation when making decisions. The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder's voice is brought into the boardroom throughout the annual cycle through information provided by management and by direct engagement with stakeholders themselves. We are aware that each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships. The Board determined its key stakeholders based on each group's potential to a) be impacted by the Company's activities, and/or b) have an impact on the Company's activities. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making. The Board also continue to take all necessary measures to ensure Distil is acting in good faith and fairly between members and is promoting the success of the company for its members in the long term.

The table below acts as our Section 172 statement by setting out the key stakeholder Groups and how Distil has engaged with them over the reporting year.

Stakeholder	Why we engage	How we engage
Our investors	We maintain and value regular dialogue with our investors and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the company, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity about our results and long-term strategy to build trust in our future plans.	• Regular reports and analysis on investors and shareholders • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Press releases • Analyst research • One-to-one meetings
Regulatory bodies	Distil's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, responsible advertising of alcoholic products along with contractual terms.	• Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board meetings • Risk reviews

Strategic report (continued)

Our employees	Our people are at the heart of our business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the company and who are all pulling in the same direction. Our engagement seeks to address any employee concerns regarding working conditions, health and safety, training and development, as well as workforce diversity.	• Open and regular informal dialogue • Formal annual reviews • Employee benefit packages • Ongoing training and development opportunities • Board level communication and interaction on company strategy • Receives reports on HR data (including staff retention and other potential cultural metrics) and themes emerging from employee surveys and forums
Our customers	We aim to listen to and engage with our customers on a regular basis to ensure that we understand their needs. We ensure that information is easily accessible and customer concerns are dealt with in a timely and professional manner.	• Ongoing review of customer feedback • Face-to-face meetings with customers to further develop relationships • Ongoing promotional and advertising activity • Ongoing review of data and metrics on customer retention rates and customer satisfaction periodically • The Board also receives information on how the Group manages its relationships with its key customer groups on an ongoing basis via marketing and communication, customer feed and Company's website
Our suppliers	We have several key partners and suppliers with whom we have built strong relationships with and strongly value. We establish effective engagement channels to ensure our relationships remain collaborative and forward focused, and to foster relationships of mutual trust and loyalty.	• Open two-way dialogue and regular face to face meetings • Performance review and feedback • Periodic review of procurement agreements, including raw materials such as glass bottles and corks • The Board receives data and metrics on payment practices and other indicators of relationships with suppliers

The above statement should be read in conjunction with the Strategic Report and the Corporate Governance Statement on pages 13 to 18.

Approved by the Board and signed on its behalf by:

D Goulding

Director
29 September 2025

Directors' report

Review of business and financial performance

Information on the financial position and development of the Group is set out in the Chair's Statement commencing on page 2 and in the Strategic Report commencing on page 5.

Results

The Group reports a loss before tax for the year of £1,101k (2024: loss before tax £942k). The current year and prior year results relate solely to ongoing activities. The Directors do not recommend payment of a dividend.

Subsequent events

These have been included in the Chair's statement on page 4.

Future developments

This has been included in the Strategic Report on page 7.

Financial risk management

Details of the Group's financial risk management objectives and policies and its exposure to risks associated with the use of financial instruments are disclosed in note 18 to the financial statements.

Directors

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

Don Goulding	Executive Chair
Shaun Claydon	Non-executive Director
Adebola Adebo	Finance and Operations Director (Appointed 1 January 2025)
Sarah Kingsbury	Marketing Director (Appointed 1 January 2025)
Roland Grain	Non-executive Director (Resigned 31 December 2024)
Michael Keiller	Non-executive Director (Resigned on 3 August 2023)

Their remuneration is disclosed in note 8 to the financial statements.

Qualifying third party indemnity insurance

The Group maintains qualifying third-party indemnity insurance for the benefit of the Directors.

Statement of disclosure to auditor

The Directors confirm that:

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

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

Auditor

PKF Littlejohn LLP has indicated its willingness to continue in office, and a resolution will be proposed at the Annual General Meeting to reappoint PKF Littlejohn LLP as auditor for the next financial year.

Going concern

The Group recorded a consolidated loss before tax of 1,101k during the year under review and held cash reserves in the amount of £338k at the year end.

Directors' report (continued)

Management has prepared detailed two year forward forecasts for the business. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated, and also take into account the impact of reduced case volume and revenue sales to customers and unexpected increases in costs of goods sold, where applicable. In the event that case volume and revenue sales fall short of expectations, Management have the ability to reduce discretionary expenditure such as marketing and variable overheads to mitigate any negative impact on associated cash flows.

On 15 September 2025 the Group announced it had successfully raised £755k (before expenses) via and equity fundraise from existing and new investors. Of the amount raised £378k (less expenses), representing approximately 50% of the total fundraise, has been received by the Group whilst the balance of £377k (less expenses) is contingent on shareholders approving the necessary share authority resolutions at the Group's Annual General Meeting on 30 September 2025. In the unlikely event that shareholders do not approve the share authority resolutions the Group will not receive the remaining £377k funds.

Having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and financial forecasts, the directors have a reasonable expectation that the Group will have adequate cash reserves to meet the requirements of the business for a period of at least twelve months from the date of signing the financial statements. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with UK-adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Corporate governance

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

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

Directors' report *(continued)*

Approved by the Board and signed on its behalf by:

D Goulding
Director
29 September 2025

Corporate governance statement

Overview

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

We have decided to adopt the Quoted Companies Alliance Corporate Governance Code (QCA Code) in line with the London Stock Exchange's changes to the AIM Rules, requiring all AIM-quoted companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below or the Company's website. Distil understands that the application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

The Board also recognises that this financial year has been the Company's transition year for the application of the updated 2023 QCA Code (the 2023 Code). The Board will continue to consider over the coming years any amendments that it needs to make to the Group's existing corporate governance arrangements, with a view to adhering to the provisions and principles of the 2023 Code.

QCA Principles:

1. Establish a purpose, strategy and business model which promote long-term value for shareholders

The Company considers its purpose to be in delivering the highest medium and long-term value to its shareholders. The Board has concluded that the best way to achieve this is by the adoption of the following strategy for the Company: the marketing and selling of RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka, Blavod Black Vodka and TRØVE Botanical Spirit, both domestically and internationally. The Company intends to deliver medium and long-term shareholder value by maintaining or growing investments in proven brand building activities and, in addition, invest in our four growth levers:

Brand activation and marketing at point of sale:

- Precise timing and frequency of promotional activity including occasions and gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development.

- Pack sizes & formats, new brands, liquids and flavours.

Route to consumer:

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

Access to new production and design:

- Across all aspects of distilling, bottling and packaging.

For more information on Distil's strategy and future developments, please see page 7 in the Strategic Report.

The Company intends to deliver shareholder returns for the foreseeable future through capital appreciation. Challenges to delivering capital appreciation include uncertainty in relation to consumer spending on our brands and competition within our chosen markets, although the Board takes steps to mitigate these risks. Further challenges to our strategy and long-term goals are highlighted in the Principal Risks and Uncertainties section on page 6 of the Strategic Report.

Corporate governance statement (continued)

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

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

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

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

3. Seek to understand and meet shareholder needs and expectations

The Company places great importance on the need for effective communication and constructive dialogue with investors and the media by providing communications through the Annual and Interim Reports, along with Regulatory News Service announcements.

The Company's website, www.distil.uk.com, is used for both financial and general news relevant to shareholders. The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. The Executive Chair is the Company's principal spokesperson with investors, fund managers, the press and other interested parties and acts as a general liaison for all shareholders.

Shareholders can contact the Company by email through our website and relevant queries are passed to the Board for discussion. The Company also engages the services of an independent Research Analyst, who publishes research on the Company. This research is made available to shareholders free of charge on the Company's website.

All Directors wherever possible attend the AGM, where investors are given the opportunity to question the Board. The AGM provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend in order to express their views on the Company's business activities and performance. All 2024 AGM resolutions were passed comfortably.

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

4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

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

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

Corporate governance statement (continued)

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

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

For further information on the Board's processes for engaging with stakeholders, please see our s172 Report on page 8.

5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organization

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

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

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

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

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

Principal Risks and Uncertainties are outlined in the Strategic Report on page 6.

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

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

6. Establish and maintain the board as a well-functioning, balanced team led by the chair

The Board comprises the Executive Chair, Don Goulding, Marketing Director, Sarah Kingsbury (appointed during the year), Finance and Operations Director, Adebola Adebo (appointed during the year) and Non-Executive Director Shaun Claydon.

During the financial year Roland Grain stepped down from the Board as a Non-Executive Director.

Don Goulding is expected to dedicate 3-4 days per week to the Company, Shaun Claydon is expected to dedicate such time as is necessary for the proper performance of his duties. Adebola Adebo and Sarah Kingsbury work for the Company full time.

Corporate governance statement (continued)

In the year ended 31 March 2025, there have been six Board meetings, all of which were attended by Don Goulding, Shaun Claydon, Sarah Kingsbury and Adebola Adebo. Roland Grain attended four meetings during the financial year. There have been two Audit Committee meetings, both of which were attended by Don Goulding and Shaun Claydon and one of which was attended by Roland Grain and one Remuneration Committee meeting attended by Shaun Claydon, Roland Grain and Don Goulding. In respect of remuneration, no Director participates in any decision in respect of his or her own remuneration.

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

The Board recognises the long-term need for an Independent Non-Executive Chair and shall continue to review this as the scale and complexity of the Company grows in the future and in proportion to costs.

The Board also notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be at least two Independent Non-Executive Directors. Following the departure of Roland Grain, the Company currently has one Non-Executive Director. The Board recognises that Shaun Claydon has been a Non-Executive Director for more than 9 years; however, he is deemed to be independent by virtue of his 30+ years business and financial experience including 20 years as a banker/ broker in the City and 10+ years as a CFO. As such he is considered to have a diverse range of skills and experience and will exercise his independent judgement to challenge all matters whether strategic or operational

Therefore, the Board acknowledges that at its current stage of development, it does not comply fully with the recommendations within Principle 5. However, the Board intends to appoint a further independent Non-Executive Director as soon as reasonably practical.

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

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

Directors' conflict of interest

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

All Directors are reminded periodically of their obligations to notify the Company of any changes in their statement of interests and to declare any benefits received from third parties (if any) in their capacity as a Director of the Company.

7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

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

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

Corporate governance statement (continued)

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

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

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

<u>Audit Committee</u>

The Audit Committee has two members, Shaun Claydon (Chair) and Don Goulding. The Finance Director and external auditors attend meetings by invitation. Don Goulding replaced Roland Grain on the Audit Committee on 31 December 2024. The remit of the Committee is to review:

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

<u>Remuneration Committee</u>

The Remuneration Committee has two members, Shaun Claydon (Chair) and Don Goulding. Other members of the Board may attend Committee meetings at the request of the Committee Chair. Don Goulding replaced Roland Grain on the Remuneration Committee on 31 December 2024.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the Directors.

The Remuneration Committee meets as required.

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

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

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

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

In addition to their general Board responsibilities, the Non-Executive Director, Shaun Claydon, is encouraged to be involved in specific workshops or meetings, in line with his areas of expertise. The Board is kept abreast of developments of governance and AIM regulations, with the Company's NOMAD providing annual AIM Rules refresher training to the Board as well as the initial training as part of a new director's onboarding.

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

Corporate governance statement (continued)

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

8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings and calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and with the Board expansion, re-consider the need for Board evaluation. The Board therefore recognises that it does not fully comply with Principle 8 at this juncture.

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

In addition, the Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their terms of employment and remuneration, including short-term bonus and long-term incentives (with targets consistent with the corporate strategy).

9. Establish a remuneration policy which is supportive of long-term value creation and the *company's purpose, strategy and culture.*

The Company has a Remuneration Committee which comprises Shaun Claydon (Chair) and Don Goulding. The Remuneration Committee is responsible for setting the policy for the remuneration of the Company's Chair, Executive Directors, and senior management (Remuneration Policy). The Remuneration Committee ensures that the Remuneration Policy is aligned with the Company's purpose and strategy, promotes its culture and ethical values, and supports long-term value and the interests of the Company's shareholder while allowing the Company to attract and retain high quality individuals. The Remuneration Policy is reviewed and updated regularly. No Director or senior manager is responsible for setting their own remuneration.

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

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

All shareholders are encouraged to attend the Company's AGM. The Board discloses the result of general meetings by way of RNS announcement and publishes the proxy voting results on its website to ensure transparency with shareholders. All 2024 AGM resolutions were passed comfortably.

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

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

Audit Committee Report

Dear shareholder,

I present the Audit Committee Report for the year ended 31 March 2025, which has been prepared by the Committee and approved by the Board. The Committee is chaired by me, Shaun Claydon along with Don Goulding, and aims to meet at least twice per annum. Meetings are also attended, by invitation, by the Finance Director, Adebola Adebo. The Committee and the Board is satisfied that the members of the Committee possess recent and relevant financial experience in various sectors to contribute to our work on the Committee.

Financial Reporting

The Committee is responsible for reviewing and reporting on the Company's financial performance, monitoring and reviewing the integrity of the Company's financial statements, including its Annual and Interim Accounts and any other formal announcement relating to its financial performance, and reviewing significant financial reporting issues and judgements which they contain. The Committee is also responsible for reviewing internal control and risk management and reviewing and monitoring the performance, independence and effectiveness of the external auditors. The Committee compiles a report to shareholders on its activities to be included in the Company's Annual Report, in addition to reporting formally to the Board on the Committee's proceedings after each meeting on all matters.

During the year, the Committee concluded that the Annual Report and financial statements for the financial year ended 31 March 2024, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. Post-year end, and prior to the approval of these Annual Report and Accounts, the Committee carefully considered the Annual Report and financial statements for the financial year ended 31 March 2025 and similarly concluded to recommend their approval to the Board.

External Audit

The Committee is responsible for agreeing the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee engages in discussions with the auditor regarding fees, accounting policies and areas of critical accounting estimates and judgements.

The Committee is also responsible for reviewing and approving the annual audit plan with the auditor and ensuring that it is consistent with the scope of the audit engagement and the effectiveness of the audit. In addition, the Committee is responsible for reviewing the findings of the audit with the external auditor which shall include but not be limited to discussing major issues which arose during the audit, any accounting and audit judgements, and levels of errors identified during the audit and the effectiveness of the audit.

PKF Littlejohn LLP were appointed as external auditors in 2021 following an audit tender process carried out during the course of the year. The Company will continue to comply with the relevant tendering and auditor rotation requirements applicable under UK regulations, which require the next external audit tender to occur by 2029.

The Committee will engage in discussions with the auditor regarding fees, internal controls and such issues as compliance with accounting standards and any proposals that the external auditor has made regarding the Company's internal auditing standards.

Auditor Independence

The Committee approves the external auditor's terms of engagement, scope of work, the process for the interim review and the annual audit. It also reviews and discusses with the auditor the written reports submitted and the findings of their work and has primary responsibility for making recommendations to the Board, for it to put the shareholders for their approval at a general meeting, in relation to the appointment, re-appointment, and removal of the external auditor.

The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

The Committee is also responsible for reviewing and monitoring external auditor's independence and objectivity as well as their qualifications, expertise and resources and the effectiveness of the audit process, taking into consideration relevant UK and other relevant professional and regulatory requirements. The Committee has considered the auditor's independence and continues to believe that PKF Littlejohn LLP is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff are not impaired.

Audit Committee Report (continued)

Following consideration of both the auditor's continued independence and objectivity, alongside the efficacy of the external audit process post-year end, the Committee formally recommends the reappointment of PKF Littlejohn LLP as external auditor to the Group to shareholders.

Shaun Claydon

Chair of the Audit Committee

Date: 29 September 2025

Independent auditor's report to the members of Distil Plc

Opinion

We have audited the financial statements of Distil Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025 which comprise the Consolidated and Parent Company Statements 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 Cash Flows 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 2025 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 a review of the forecast financial information prepared by management, including challenges made to the underlying assumptions and stress-testing these, a review of management's assessment of going concern including an evaluation of the growth rate for each brand of spirits, and post year end information impacting going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. The scope of our audit was influenced by our application of materiality. The quantitative and qualitative threshold for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £15,600. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower performance materiality level to determine the extent of testing needed. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality	Basis for materiality and rationale for the benchmark applied
Group **Materiality £15,600 (2024: £30,488)** **Performance materiality £12,400 (2024: £24,390)** **Parent company** **Materiality £15,500 (2024: £22,856)** **Performance materiality £12,300 (2024: £18,285)**	1.5% of revenue is considered the most appropriate benchmark for the group. Revenue is identified by Management as a key performance indicator and in our professional judgement is one of the principal benchmarks within the financial statements relevant to members of the Group in assessing financial performance. 80% of materiality has been set as performance materiality to ensure sufficient coverage for group and parent company reporting purposes.

The group audit team performed a full scope audit of the one trading component and the parent company. The material trading component was audited to a component materiality of £15,500 (2024: £24,390).

Performance materiality was determined at 80% of materiality for the group and parent company, based on our assessment of the relevant risk factors, the level of estimation inherent within the entities, the central finance function and our testing approach.

We agreed with the audit committee that we would report all corrected and uncorrected misstatements identified during the course of our audit in excess of £780 (2024: £1,524) for the group and £770 (2024: £1,143) for the parent company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of assessing the recoverability of intangible assets, the carrying value and recoverability of investments in subsidiaries at parent company level as well as revenue recognition and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The group operates through one trading subsidiary undertaking which maintains its own accounting records and controls. The maintenance of the accounting records of the parent company and the subsidiary undertaking are assisted by an outsourced accounting function and audited by the group audit team based upon materiality or risk. A full scope audit was undertaken on the trading subsidiary. The key audit matters and how these were addressed are outlined below.

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

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.

Key Audit Matters	How our scope addressed these matters
Carrying value and recoverability of intangible assets - trademarks (refer notes 2 and 10)	
The group and parent company reported intangible assets relating to trademarks with a carrying value of £1,432,000 (2023: £1,453,000). These are stated at cost less impairment. **Management is required to complete impairment reviews at least annually to ensure that the carrying value is appropriate. Their impairment assessment is made by reference to value in use calculations involving internal forecasts, estimated growth rates and predicted discounted future cash flows.** **Due to the judgements and estimation involved in undertaking value in use calculations and impairment reviews, we consider this to be a key audit matter.**	Our work in this area included but was not restricted to: • Evaluating and challenging management's assumptions used in its value in use calculations for each of the premium spirit brands. In particular, we reviewed projected future cash flows, along with estimated growth rates, with reference to the accuracy of previous forecasts; • Checked the mathematical accuracy of the discounted future cash flows; • Reviewed the sensitivity analysis prepared by management to assess the impact on headroom for changes in cash flows, growth rates and discount rates, including the probability of achieving sales volumes which would eliminate the headroom over the carrying value; and • Evaluating the disclosures included within the financial statements. The decrease in revenues and sales volumes in the year constitutes an indicator of impairment for the Blackwood Gin and Blavod Vodka brands, which have carrying values of £880,000 and £639,000 respectively. The recoverability of intangible assets for these brands is dependent on the ability of the trading subsidiary to increase revenues and margins to the levels and values included in the forecasts underlying the value in use calculations. Management has implemented plans to increase the financial performance from these brands and failure to achieve the forecasts in the near future may give rise to an impairment to those carrying values.

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

Revenue recognition (refer notes 1 and 4)	
There is a risk that revenue has not been recorded in accordance with the disclosed accounting policy and customer contracts, together with cut-off around the reporting date. This is considered to be one of the principal benchmarks within the financial statements relevant to members of the Group in assessing financial performance.	Our work in this area included but was not restricted to: • Obtaining an understanding of the internal control environment in operation around revenue and undertaking walk-through tests; • Testing for the existence of recorded sales, together with the associated movement in inventory, through identification of the timing of delivery and invoicing; • Cut-off testing based upon inventory movements either side of the year-end; and • Evaluating the disclosures in the financial statements, as they relate to IFRS 15.

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, 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 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 legal and regulatory framework applicable to 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 and our experience of the industry. We ensured that the audit team collectively had the appropriate experience with auditing entities within this industry, facing similar audit and business risks, and of a similar size.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - AIM Rules; and
  - HMRC rules regarding duty.
- 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:
  - Making enquiries of management;
  - A review of Board minutes;
  - A review of legal ledger accounts; and
  - A review of regulated news service announcements.
- 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 identified in relation to the valuation of the intangible assets and inventory, and we addressed this by challenging the assumptions and judgement made by management when auditing that significant accounting estimate.
- 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, regarding the recoverability of trademarks; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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.

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.

David Thompson

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
29 September 2025

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Revenue	4	1,043	1,523
Cost of sales		(649)	(787)
Gross profit	4	**394**	**736**
Administrative expenses:			
Advertising and promotional costs		(444)	(515)
Other administrative expenses	5	(1,093)	(1,094)
Impairment of inventory		(65)	-
Impairment losses on intangible assets	12	(24)	(202)
Share based payment expense	18	-	(17)
Total administrative expenses		**(1,626)**	**(1,828)**
Loss from operations		**(1,232)**	**(1,092)**
Finance income	6	152	150
Finance expense	6	(21)	-
Loss before tax		**(1,101)**	**(942)**
Taxation	9	(163)	(225)
Loss for the year and total comprehensive expense		**(1,264)**	**(1,167)**

Loss per share			
Basic and diluted (pence per share)	3	(0.10)	(0.16)

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

Consolidated statement of financial position

As at 31 March 2025

	Note	2025 £'000	2024 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	205	142
Right-of-use assets	11	299	-
Intangible assets	12	1,432	1,453
Financial assets at amortised cost	13	3,000	3,000
Deferred tax asset	20	-	126
Total non-current assets		**4,936**	**4,721**
Current assets			
Inventories	14	1,039	1,205
Trade and other receivables	15	412	580
Cash and cash equivalents		338	526
Total current assets		**1,789**	**2,311**
Total assets		**6,725**	**7,032**
Liabilities			
Current liabilities			
Trade and other payables	16	546	516
Financial liabilities at amortised cost	18	150	150
Lease liabilities	11	7	-
Deferred tax liability	20	38	-
Total current liabilities		**741**	**666**
Non-current liabilities			
Lease liabilities	11	305	-
Total liabilities		**1,046**	**666**
Net assets		**5,679**	**6,366**
Equity			
Share capital	17	2,237	1,695
Share premium	17	6,739	6,704
Share-based payment reserve	17	218	218
Accumulated losses		(3,515)	(2,251)
Total equity		**5,679**	**6,366**

The financial statements were approved and authorised for issue by the Board on 29 September 2025 and signed on its behalf by:

D Goulding
Director

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

Company statement of financial position

As at 31 March 2025

	Note	2025 £'000	2024 £'000
Assets			
Non-current assets			
Intangible assets	12	1,432	1,453
Right-of-use assets	11	299	-
Financial assets at amortised cost	13	3,000	3,000
Total non-current assets		**4,731**	**4,453**
Current assets			
Trade and other receivables	15	1,660	1,279
Total current assets		**1,660**	**1,279**
Total assets		**6,391**	**5,732**
Liabilities			
Current liabilities			
Trade and other payables	16	613	568
Lease liabilities	11	7	-
Financial liabilities at amortised cost	18	150	150
Total current liabilities		**770**	**718**
Non-current liabilities			
Lease liabilities	11	305	-
Total liabilities		**1,075**	**718**
Net assets		**5,316**	**5,014**
Equity			
Share capital	17	2,237	1,695
Share premium	17	6,739	6,704
Share-based payment reserve	17	218	218
Accumulated losses		(3,878)	(3,603)
Total equity		**5,316**	**5,014**

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Company statement of comprehensive income. The loss for the Company for the year ended 31 March 2025 was £275,000 (2024: loss £228,000).

The financial statements were approved and authorised for issue by the Board on 29 September 2025 and signed on its behalf by:

D Goulding
Director

The accompanying notes form an integral part of these financial statements.
Company Number 03727483

Consolidated statement of changes in equity

For the year ended 31 March 2025

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2023	**1,474**	**6,211**	**201**	**(1,084)**	**6,802**
Loss for the year and total comprehensive expense	-	-	-	(1,167)	(1,167)
Shares issued	221	552	-	-	773
Share issue costs	-	(59)	-	-	(59)
Share based payment expense	-	-	17	-	17
Balance at 31 March 2024 and 1 April 2024	**1,695**	**6,704**	**218**	**(2,251)**	**6,366**
Loss for the year and total comprehensive expense	-	-	-	(1,264)	(1,264)
Shares issued	542	108	-	-	650
Share issue costs	-	(73)	-	-	(73)
Balance at 31 March 2025	**2,237**	**6,739**	**218**	**(3,515)**	**5,679**

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

Company statement of changes in equity

For the year ended 31 March 2025

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2023	**1,474**	**6,211**	**201**	**(3,375)**	**4,511**
Loss for the year and total comprehensive expense	-	-	-	(228)	(228)
Shares issued	221	552	-	-	773
Share issue costs	-	(59)	-	-	(59)
Share based payment expense	-	-	17	-	17
Balance at 31 March 2024 and 1 April 2024	**1,695**	**6,704**	**218**	**(3,603)**	**5,014**
Loss for the year and total comprehensive expense	-	-	-	(275)	(275)
Shares issued	542	108	-	-	650
Share issue costs	-	(73)	-	-	(73)
Balance at 31 March 2025	**2,237**	**6,739**	**218**	**(3,878)**	**5,316**

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

Consolidated statement of cash flows

For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Loss before taxation		**(1,101)**	**(942)**
Adjustments for non-cash/non-operating items:			
Finance income	6	(152)	(150)
Finance expense	6	21	-
Depreciation	10	13	18
Amortisation	11	12	-
Expenses settled by shares		-	7
Loss on disposal of property, plant and equipment	10	-	1
Share-based payment expense	16	-	17
Impairment of inventory		65	-
Impairment of intangible assets	12	24	202
		(1,118)	**(847)**
Movements in working capital			
Decrease/(increase) in inventories	14	102	(136)
Decrease in trade and other receivables	15	167	303
Decrease in trade and other payables	16	(168)	(338)
Net cash used in operating activities		**(1,017)**	**(1,018)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(76)	(8)
Expenditure relating to licences and trademarks	12	(2)	(22)
Other interest received	6	2	-
Net cash used in investing activities		**(76)**	**(30)**
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs		577	707
Principal paid on lease liability	11	1	-
Interest paid on lease liability	11	(18)	-
Interest received on convertible loans	13	150	150
Proceeds from invoice financing	16	198	-
Interest paid on invoice financing	6	(3)	-
Net cash generated from financing activities		**905**	**857**
Net decrease in cash and cash equivalents		(188)	(191)
Cash and cash equivalents at beginning of year	18	526	717
Cash and cash equivalents at end of year	18	**338**	**526**

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

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

Notes to the consolidated financial statements

1. Basis of preparation and summary of material accounting policies

The consolidated and company financial statements for Distil Plc (the "Company") and its subsidiaries (together the "Group") are for the year ended 31 March 2025. They have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below.

Distil Plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in England and Wales. The address of Distil Plc's registered office is 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT and its principal place of business is 73 Watling Street, EC4M 9BJ.

Going concern
The Group recorded a consolidated loss before tax of £1,101k during the year under review (2024: loss before tax of £942k) and held cash reserves in the amount of £338k at the year-end (2024: £526k).

Management has prepared detailed two year forward forecasts for the business. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets, although these are anticipated, and also take into account the impact of reduced case volume and revenue sales to customers and unexpected increases in costs of goods sold, where applicable. In the event that case volume and revenue sales fall short of expectations, Management have the ability to reduce discretionary expenditure such as marketing and variable overheads to mitigate any negative impact on associated cash flows.

On 15 September 2025 the Group announced it had successfully raised £755k (before expenses) via an equity fundraise from existing and new investors. Of the amount raised £378k (less expenses), representing approximately 50% of the total fundraise, has been received by the Group whilst the balance of £377k (less expenses) is contingent on shareholders approving the necessary share authority resolutions at the Group's Annual General Meeting on 30 September 2025. In the unlikely event that shareholders do not approve the share authority resolutions the Group will not receive the remaining £377k funds.

Having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and financial forecasts, the Directors have a reasonable expectation that the Group will have adequate cash reserves to meet the requirements of the business for a period of at least twelve months from the date of signing the financial statements. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

New standards, amendments and interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024, none of which had a material impact on the Group and Company:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1;
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The Group does not expect any of the amendments issued by the IASB, but not yet effective, to have a material impact on the Group.

Notes to the consolidated financial statements (continued)

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

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2025. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Intra-group transactions and profits are eliminated fully on consolidation.

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

Foreign currencies

i) Presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which that subsidiary operates (the "functional currency"). The consolidated financial statements of the Group are presented in Pounds Sterling.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Property, plant and equipment

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

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

Computer equipment	20% on a straight-line basis
Marketing equipment	20% on a straight-line basis
Motor vehicles	10% on a straight-line basis
Production equipment	5% on a straight-line basis
Assets under construction	Not depreciated until the asset is judged to be ready for use

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

Leased assets

The Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration at inception of a contract.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: an identified physically distinct asset can be identified; and the Group has the right to obtain substantially all of the economic benefits from the asset throughout the period of use and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

Notes to the consolidated financial statements (continued)

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

Leased assets (continued)

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to access that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Inventories

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

Intangible assets

Intangible assets are recognised at cost less any accumulated impairment.

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Notes to the consolidated financial statements (continued)

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

Intangible assets (continued)

The Group's intangible assets consist of expenditure on licenses and trademarks related to brands. Capitalised brands are regarded as having indefinite useful economic lives and have therefore not been amortised. These brands are protected by trademarks, which are renewable indefinitely, in all of the major markets in which they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace.

Accordingly, the Directors believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes.

The Group carries out an annual impairment review as the assets are considered to have an indefinite useful economic life. See note 12 for details of impairment reviews.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, and deposits held with banks with original maturities of three months or less from inception.

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value. Financial assets and liabilities are measured subsequently as described below.

Financial assets

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

The Group's financial assets held at amortised cost comprise of trade and other receivables, cash and cash equivalents and investments in convertible loans. Financial assets do not comprise prepayments.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the statement of comprehensive income.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (ECLs). During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

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

Financial instruments (continued)

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

Financial liabilities

The Group's financial liabilities include trade and other payables and lease liabilities. All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, using the effective interest method.

All interest-related charges and, if applicable, changes in the instrument's fair value that are reported in profit or loss, including net foreign exchange gains or losses, are included in the statement of comprehensive income line items "finance expense" or "finance income".

Employee benefits

Defined contribution pension scheme

The Group operates a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Pension contributions to personal pension schemes are charged to the statement of comprehensive income in the period in which they occur.

Share-based payments

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

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

Equity instruments

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

Notes to the consolidated financial statements (continued)

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

Equity instruments (continued)

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of issue costs.
- Retained earnings represent accumulated profits and losses from incorporation.
- Share-based payments is a reserve in which the entity receives goods or services either as consideration for its equity instruments for amounts based on the price of the entity's shares or other equity instruments of the entity.

Revenue recognition

Revenue comprises the fair value of the sale of goods to external customers excluding excise duty and VAT.

Contracts and obligation

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

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

Determining the transaction price

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

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

Allocate the transaction price to the performance obligations in the contract

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

Recognise revenue when or as the entity satisfies its performance obligations

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

Notes to the consolidated financial statements (continued)

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

Current and deferred tax

Current tax is the tax payable based on taxable profit for the year.

Deferred taxes are calculated using the liability method on material temporary differences.

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

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

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

2. Significant judgments and estimates

The preparation of consolidated and company financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Intangible assets

As disclosed under the intangible assets accounting policy above, the Group does not amortise its intangible assets as they are considered to have an indefinite life. Impairment reviews are carried out annually to ensure that these assets are not carried above their recoverable amount with a number of significant assumptions and estimates being made by management when performing these annual impairment reviews. These assumptions and estimates are described more fully within note 11. Intangible assets have a carrying value of £1,453k at the reporting date.

Recognition of deferred tax asset

The Group's management bases its assessment of the probability of future taxable income on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is usually recognised. Management has derecognised the deferred tax asset in the year due to uncertainty with regards to timing of future positive taxable income (see notes 9 and 19).

Notes to the consolidated financial statements (continued)

2. Significant judgments and estimates (continued)

Discount rates

IFRS 16 states that the lease payments shall be discounted using the lessee's incremental borrowing rate where the rate implicit in the lease cannot be readily determined. Accordingly, all lease payments have been discounted using the incremental borrowing rate ("IBR"). The IBR has been determined by management using a range of data including current economic and market conditions, review of current debt and capital within the Group, lease length and comparisons against seasoned corporate bond rates and other relevant data points. A discount rate of 5.25% has been adopted.

3. Loss per share

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

The Company was loss making in both years therefore no separate disclosure for diluted loss per share is included as the effect of including the share options and warrants in the calculation would be anti-dilutive.

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

	2025	2024
Loss attributable to ordinary shareholders (£'000)	(1,264)	(1,167)
Weighted average of number of shares	1,250,359,207	750,131,429
Basic and diluted per share (pence)	(0.10)	(0.16)

4. Segment reporting

	2025 £'000	2024 £'000
Revenue		
UK	940	1,366
Export	103	157
	1,043	**1,523**
Gross profit		
UK	335	649
Export	59	87
	394	**736**

The Directors have decided that providing a geographical split by two locations, UK and Export, offers an enhanced indicator of business activity. Only revenue and gross profit can be easily identifiable when splitting between UK and export markets. All trade is undertaken, and assets are held in one geographic location, being the UK.

Notes to the consolidated financial statements (continued)

4. Segment reporting

The Group's revenue included 1 (2024: 2) customers making up more than 10% each during the year:

	2025 £'000	2024 £'000
Revenue by Type		
Customer 1	-	859
Customer 2	-	246
Customer 3	869	107
All other customers	174	311
	1,043	**1,523**

5. Loss from operations

Loss from operations is stated after charging:

	2025 £'000	2024 £'000
Depreciation of property, plant and equipment	13	18
Amortisation of right of use asset	12	-
Share-based payment expenses	-	17
Write off of bad debts	12	26
Impairment of inventory	65	22
Impairment of intangible assets	24	202

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

	2025 £'000	2024 £'000
Audit of the financial statements of the Group and Company	34	34
	34	**34**

6. Finance income and expense

	2025 £'000	2024 £'000
Finance income		
Interest on Ardgowan loan	150	150
Unrealised foreign exchange gain	2	-
	152	**150**

	2025 £'000	2024 £'000
Finance expense		
Interest on lease liabilities	18	-
Interest on invoice financing	3	-
	21	**-**

Notes to the consolidated financial statements (continued)

7. Investments

Investments comprise the following subsidiary companies, held at a total cost of £7 (2024: £7):

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

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

8. Directors and employees

	Group		Company	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Staff costs				
Wages and salaries	566	541	76	46
Social security costs	43	42	8	3
Short term non-monetary benefit	-	16	-	-
Pension costs	10	3	-	-
Share based payments	-	17	-	-
	619	**619**	**84**	**49**

	2025 No.	2024 No.
Group monthly average number of employees (including directors)	10	7
Company monthly average number of employees (including directors)	4	4

Directors' emoluments

	2025 £'000	2024 £'000
Salaries and fees, bonuses and share-based payments	411	236

Individual Directors' emoluments

	Salaries and fees £'000	Bonuses £'000	Share-based payments £'000	2025 Total £'000	2024 Total £'000
D Goulding	184	-	-	184	187
S Claydon	33	-	-	33	36
S Kingsbury	23	-	-	23	-
A Adebo	26	-	-	26	-
R Grain	10	-	-	10	13
Total	**277**	**-**	**-**	**277**	**236**

Notes to the consolidated financial statements (continued)

8. Directors and employees (continued)

Remuneration of key management personnel

	2025 £'000	2024 £'000
Salaries and fees	411	474
Share-based payments	-	14
Pension costs	1	2
	412	**490**

Key management personnel include all Directors of the Company and Directors of Distil Company Limited, who together have authority and responsibility for planning, directing, and controlling the activities of the Group.

In the year ended 31 March 2025, the number of key management personnel who were in a Group defined contribution pension scheme was 1 (2024: 1).

9. Taxation

Analysis of charge in year	2025 £'000	2024 £'000
Current tax on loss for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	163	225
Tax charge	**163**	**225**

Reconciliation of the effective tax rate

The tax credits for the years presented differ from the standard rate of corporate tax in the UK. The differences are explained below:

	2025 £'000	2024 £'000
Loss before taxation	(1,101)	(942)
Loss before tax multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	(275)	(236)
Effects of:		
Expenses not deductible for tax purposes	14	58
Change in unrecognised deferred tax assets	424	403
Tax charge	**163**	**225**

In the prior year, the Group recognised a deferred tax asset in respect of losses in the Company's subsidiary, Distil Company Limited, and was recognised based on the forecast profit for the next five years, with the remainder of the unutilised losses not being recognised due to the uncertainty over the timing of future profits and gains. In the year to 31 March 2025 the deferred tax asset was reduced by £163k, due to uncertainty over the timing of future profits and gains. A deferred tax liability of £37k related to fixed asset temporary differences has been netted against the deferred tax asset of £Nil to give a net deferred tax liability of £37k. See note 19 Deferred tax.

Notes to the consolidated financial statements (continued)

10. Property, plant and equipment

	Computer equipment £'000	Marketing equipment £'000	Motor vehicles £'000	Production equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 April 2023	**15**	**16**	**22**	**174**	**-**	**227**
Additions	3	3	-	2	-	8
Disposals	(11)	-	-	-	-	(11)
At 31 March 2024	**7**	**19**	**22**	**176**	**-**	**224**
Additions	1	-	-	6	69	76
At 31 March 2025	**8**	**19**	**22**	**182**	**69**	**300**
Accumulated depreciation						
At 1 April 2023	**10**	**13**	**13**	**38**	**-**	**74**
Charge for the year	2	3	3	9	-	18
Disposals	(10)	-	-	-	-	(10)
At 31 March 2024	**3**	**16**	**16**	**47**	**-**	**82**
Charge for the year	1	1	2	9	-	13
At 31 March 2025	**4**	**17**	**18**	**56**	**-**	**95**
Net book value						
At 31 March 2025	**4**	**2**	**4**	**126**	**69**	**205**
At 31 March 2024	**4**	**3**	**6**	**129**	**-**	**142**

11. Leases

The Group has a lease over leasehold property for commercial use within the UK, which is the main jurisdiction in which the Group operates. All lease payments, in substance, are fixed over the lease term. All expected future cash out flows are reflected within the statement of the lease liabilities at each year end.

Nature of leasing activities:

	2025 No.	2024 No.
Number of active leases	1	-

Incremental borrowing rate

The Group has adopted a rate of 5.25% as its incremental borrowing rate, being the rate that the individual lessees would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. This rate is used to reflect the risk premium over the borrowing cost of the Group measured by reference to the Group's facilities.

Notes to the consolidated financial statements (continued)

11. Leases (continued)

The Group performed a sensitivity analysis on the incremental borrowing rate and identified if the incremental borrowing rate was 6.5% there would be a decrease in the carrying amount of the right-of-use asset at 31 March 2025 of £41k; there would be a subsequent decrease in the lease liability of £40k. If the incremental borrowing rate decreased to 3.75% there would be an increase in the carrying amount of the right-of-use asset at 31 March 2025 of £50k and there would be a consequent increase in the lease liability of £50k.

Right-of-use assets

Group and Company	**Leasehold property £'000**
Cost	
At 1 April 2024	-
Additions	311
At 31 March 2025	**311**
Accumulated depreciation	
At 1 April 2024	-
Charge for the year	12
At 31 March 2025	**12**
Net book value	
At 31 March 2025	**299**

Lease liabilities

Group and Company	**Leasehold property £'000**
Cost	
At 1 April 2024	-
Additions	313
Interest	18
Lease payment	(19)
At 31 March 2025	**312**

Reconciliation of minimum lease payments

Group and Company	**2025 £'000**
Within 1 year	23
Later than 1 year and less than 5 years	92
After 5 years	431
Total including interest cash flows	546
Less: interest cash flows	(234)
Total principal cashflows	**312**

Notes to the consolidated financial statements (continued)

11. Leases (continued)

Reconciliation of current and non-current lease liabilities

Group and Company	**2025 £'000**
Current	7
Non-current	305
Total	**312**

12. Intangible assets – trademarks

Group and Company	**2025 £'000**	**2024 £'000**
Cost		
At 1 April	1,655	1,633
Additions – external	3	22
At 31 March	**1,658**	**1,655**
Accumulated impairment		
At 1 April	202	-
Impairment losses in the year	24	202
At 31 March	**226**	**202**
Net book value	**1,432**	**1,453**

Impairment testing: To ensure that brands with indefinite useful lives are not carried above their recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations.

These calculations are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The value in use calculations are based on discounted forecast cash flows.

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

The discount rate used for the value in use calculations is the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets, giving a post-tax discount rate of 10.5%. Value-in-use calculations cover a five-year period and, as noted above, the nature of the premium drinks industry is such that obsolescence is not a common issue. Management has prepared detailed forecasts for each individual brand for the next three years. Higher level forecasts have been prepared which assume 2% growth in contribution in years 4 to 5 for Blavod, 30% for Blackwoods Gin and Vodka, 10% for Diva and 30% for RedLeg. For Diva, the value-in-use calculations concluded that the recoverable amounts are lower than the carrying values and as such an impairment was required.

Any impairment write downs are charged in the statement of comprehensive income. In the year ended 31 March 2025 there was an impairment of £24,000 (31 March 2024: £202,000).

The principal trademarks of the Group are Blavod Black Vodka and Blackwoods Gin. The net book values of Blavod Black Vodka and Blackwoods Gin were £639,000 and £880,000 respectively at the end of the financial year.

Notes to the consolidated financial statements (continued)

12. Intangible assets – trademarks (continued)

Sensitivity to change in key assumptions: Impairment testing is dependent on management's estimates and judgements; in particular in relation to the forecasting of future cash flows, the discount rates applied to the cash flows and the expected long-term growth rates. For all brands with an indefinite life, sensitivity analysis has been performed by increasing the discount rate to 12.1% as well as reducing the growth rate by 15% for each brand. Except for Diva, based on historical data in addition to current and forward-looking information, management has concluded that no reasonable possible change in the key brand assumptions on which it has determined the recoverable amounts would cause their carrying values to exceed their recoverable amounts.

13. Financial assets

	2025 £'000	2024 £'000
Investment in convertible loan	3,000	3,000
Total	**3,000**	**3,000**

On 5 August 2021, shareholders approved a £3 million strategic investment by the Company in Ardgowan Distillery Company Limited ("Ardgowan"). The loan, which was drawn down by Ardgowan on 17 January 2022 and bears interest of 5% per annum, has been accounted for as a financial asset at amortised cost under IFRS 9, and no impairment to the carrying value is required at the year-end. No financial derivative has been recognised for the conversion option.

The first year's interest of £150,000 is being held in escrow by the Company and is shown as a financial liability in the statement of financial position. Ardgowan will pledge 10% of its annual production of malt whisky (or other product at the discretion of Distil) to Distil during the term of the loan. In addition, Ardgowan has granted to Distil a floating charge over 10% of its annual production of malt whisky (or other product at the discretion of Distil) until the above pledge takes effect.

The loan is repayable at par after 10 years from the drawdown date on 17 January 2032 or, at the Company's discretion, can be converted into 1p ordinary shares of Ardgowan at a fixed pre-money valuation of £30 million. The loan agreement included an option for the Company to invest up to a further £2,000,000 which was exercisable until 31 December 2022. This option was not exercised by the Company.

After the year end, the terms of the loan were renegotiated. See note 22 for further details.

14. Inventories

	2025 £'000	2024 £'000
Raw materials	429	453
Finished goods	610	752
Total	**1,039**	**1,205**

During the year ended 31 March 2025, a total of £649k of inventories was included in the statement of comprehensive income as an expense (2024: £787k). During the year, there were write downs of inventories of £65k (2024: £22k) due to obsolete stock recognised in the statement of comprehensive income as an expense.

Notes to the consolidated financial statements (continued)

15. Trade and other receivables

	Group		Company	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Trade receivables	274	412	-	-
Other receivables	89	115	-	-
Prepayments	49	53	11	14
Amounts owed by subsidiary undertakings	-	-	1,649	1,265
	412	**580**	**1,660**	**1,279**

Analysis of trade receivables

	<30 days	31 – 60 days	61 -90 days	> 90 days	Total Gross	ECL	Total Net
2025	263	-	-	11	274	-	274
2024	320	-	-	92	412	-	412

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The Group measures ECL based on historical data in addition to current and forward-looking information utilising managements knowledge of their customers. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Amounts owed by subsidiary undertakings are repayable on demand.

At the date of signing this report, £253k of the trade receivables balance as at 31 March 2025 has been recovered.

16. *Trade and other payables*

	Group		Company	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Trade payables	220	357	-	-
Other taxation and social security	29	-	-	-
Other payables	207	13	-	-
Amounts owed to subsidiary undertakings	-	-	612	563
Accruals	90	146	1	5
	546	**516**	**613**	**568**

Within other payables is a balance of £198k (2024: £nil) due to 4Syte Secured Finance Limited relating to an invoice financing arrangement. The payable balance is secured via a floating charge over UK customer trade receivables.

Amounts owed to subsidiary undertakings are repayable on demand.

Notes to the consolidated financial statements (continued)

17. Share capital

Group and Company

(a) Share capital

Allotted and fully paid	2025 Number of shares	£'000	2024 Number of shares	£'000
Ordinary shares of 0.1p each	1,446,780,671	1,447	905,113,864	905
Deferred shares of 0.9p each	87,758,508	790	87,758,508	790
Total	**1,534,539,179**	**2,237**	**992,872,372**	**1,695**

	2025 Number	Share capital £'000	2024 Share premium £'000	Total £'000
At 1 April 2024	992,872,372	1,695	6,704	8,399
26 September - Share placing	90,511,381	91	4	95
11 October – Share placing	451,155,426	451	31	482
Total	**1,534,539,179**	**2,237**	**6,739**	**8,976**

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

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

(b) Share premium

Includes all current and prior periods premiums on shares allotted, net of issue costs.

(c) Share based payment reserve

Options

One director holds options to subscribe for ordinary shares in the Company under EMI share option agreements approved by the Directors on 2 June 2015, 28 July 2015 and 4 September 2020. One director holds options to subscribe for ordinary shares in the Company under an unapproved share option scheme approved by the Directors on 1 March 2017 and 4 September 2020. One employee holds options to subscribe for ordinary shares in the Company under EMI share option agreements approved by the Directors on 4 September 2020. The number of shares subject to options, the period in which they were granted and the period in which they may be exercised are given below.

Notes to the consolidated financial statements (continued)

17. Share capital (continued)

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

Date of grant	No. of shares	Vesting conditions	Contractual life of options
28 July 2015	8,000,000	See below*	10 years
1 March 2017	2,750,000	See below**	10 years
4 September 2020	14,500,000	3 years from date of grant	10 years
	25,250,000		

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

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

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

	2025 Weighted average exercise price pence	2025 Number of options	2024 Weighted average exercise price pence	2024 Number of options
Outstanding at the beginning and end of the year	1.18	**25,250,000**	1.18	**25,250,000**
Outstanding at the end of the year	1.18	25,250,000	**1.18**	**25,250,000**
Exercisable at the end of the year	1.18	25,250,000	1.18	25,250,000

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

Notes to the consolidated financial statements (continued)

17. Share capital (continued)

		Shares	
Expiry date	**Exercise price per share**	**2025**	**2024**
2025	0.85	8,000,000	8,000,000
2027	1.62	2,750,000	2,750,000
2030	1.28	14,500,000	14,500,000

The remaining contractual life for the options outstanding is 2.56 years (2024: 3.56 years).

The Company recognised a share-based payment charge during the year of £nil (2024: £17k).

Group and company	**2025**	**2024**
	£'000	**£'000**
Share based payment charge	-	17
Total share-based payments	**-**	**17**

The share-based payment charge is made up of options awarded to Directors and employees of the Company (see note 8).

The share-based payment reserve relates to share-based payment expenses in prior years.

Warrants

The Company grants warrants at its discretion to Directors, management, employees, advisors and lenders. These are accounted for as equity settled transactions. Terms of warrants vary from agreement to agreement.

The fair value of warrants granted and outstanding were measured using the Black-Scholes model, with the following inputs:

	2022
Fair value at grant date	0.85p
Share price	2.40p
Exercise price	2.00p
Expected volatility	60.50%
Option life	1.5 years
Risk free interest rate	0.187%

Notes to the consolidated financial statements (continued)

17. Share capital (continued)

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

	2025 Weighted average exercise price pence	2025 Number of warrants	2024 Weighted average exercise price pence	2024 Number of warrants
Outstanding at the beginning and end of the year	**0.02**	**2,625,000**	**0.02**	**2,625,000**
Lapsed during the year	0.02	2,625,000	-	-
Outstanding at the end of the year	**0.02**	**-**	**0.02**	**2,625,000**
Exercisable at the end of the year	0.02	-	0.02	2,625,000

The remaining contractual life for the warrants outstanding is nil years (2024: 0.35 years).

18. Financial instruments

All of the Group's financial instruments are measured at amortised cost.

Financial assets

The principal financial assets of the Group and Company are bank balances and cash, trade and other receivables, amounts owed by subsidiaries and investments in convertible loans, as follows:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Cash and cash equivalents	338	526	-	-
Trade receivables	274	412	-	-
Other receivables	81	115	-	-
Amounts owed by subsidiary undertakings	-	-	1,649	1,265
Investment in convertible loan	3,000	3,000	3,000	3,000
Total financial assets	**3,693**	**4,053**	**4,649**	**4,265**

Financial liabilities

The principal financial liabilities of the Group and Company are trade and other payables, accruals and amounts owed to subsidiaries, as follows:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Trade payables	220	357	-	-
Other payables	207	13	-	-
Accruals	90	146	1	5
Amounts owed to subsidiary undertakings	-	-	563	563
Interest on convertible loan	150	150	150	150
Lease liabilities	312	-	312	-
Total financial liabilities	**979**	**666**	**1,026**	**718**

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Risk management

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date. All classes relate to financial assets classified as loans and receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of expected credit losses. Impairment is made where there is an identified event which, based on previous experience, is evidence of a likely reduction in the recoverability of the cash flows. The Group has some concentration of risk, given that a significant proportion of its sales are made to a single wholesale distributor. However, historically the incidences of credit risk within the Group are very low and the Group expects this to continue into the future so it currently carries no expected credit losses.

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

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions in a currency other than their functional currency. The Group tries to, where possible, only enter into transactions in the Group's functional currency.

Liquidity risk analysis

The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures. In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient un-drawn committed borrowing facilities.

As at 31 March 2025 the Group's liabilities have contractual maturities which are summarised below:

	Current				**Non-current**			
	<6 months		**6 to 12 months**		**1 to 5 years**		**>5 years**	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	220	357	-	-	-	-	-	-
Other payables	207	13	-	-	-	-	-	-
Accruals	90	146	-	-	-	-	-	-
Interest on convertible loan	150	150	-	-	-	-	-	-
Lease liabilities	3	-	3	-	31	-	275	-
Total financial liabilities	**670**	**666**	**3**	**-**	**31**	**-**	**275**	**-**

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

Notes to the consolidated financial statements (continued)

19. Capital management

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

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

20. Deferred tax

The movement on the Group's deferred tax account is as shown below:

	2025 £'000	2024 £'000
At 1 April	126	351
Recognised in statement of comprehensive income:		
Tax charge	(163)	(225)
At 31 March	**(37)**	**126**

Deferred tax assets and liabilities are attributable to the following in the year ended 31 March 2025:

	Assets 2025 £'000	Liabilities 2025 £'000	Net 2025 £'000
Available losses	-	-	-
Accelerated capital allowances	-	(37)	(37)
	-	**(37)**	**(37)**

Deferred tax assets and liabilities are attributable to the following in the year ended 31 March 2024:

	Assets 2024 £'000	Liabilities 2024 £'000	Net 2024 £'000
Available losses	163	-	163
Accelerated capital allowances	-	(37)	(37)
	163	**(37)**	**126**

A deferred tax asset has not been recognised for the following:

	2024 £'000	2023 £'000
Deferred tax not recognised related to unused losses	3,182	2,775
Unrecognised deferred tax assets	**3,182**	**2,775**

The Group has unused tax losses at 31 March 2025 of £12,720,000 (2024: £11,823,000).

Notes to the consolidated financial statements (continued)

21. Related party transactions

Remuneration of the Directors and key management personnel has been disclosed in Note 8.

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

Net amounts due from subsidiary:	**£'000**
Balance at 31 March 2024	1,265
Advances to the subsidiary	577
Expenses paid by the Subsidiary	(193)
Balance at 31 March 2025	**1,649**

See note 14 for further details.

22. Events after the reporting date

On 23 June 2025, the Company agreed a variation to the convertible loan agreement with Ardgowan as a result of Ardgowan raising debt finance which will rank ahead of the loan with the Company and the 10% stock pledge in the original agreement being subordinated to the new lender. The amended terms include an increase to the interest rate from 5% per cent to 6.5% and an increase in the equity share of Ardgowan on conversion representing a 15.5% equity conversion premium. The terms of the loan will also enable the Company to assign part or all of the loan at its discretion. The cash held in escrow by the Company for the first year's interest was increased to £195,000 with immediate effect.

On 12 September 2025, the Company raised gross proceeds of £755k (£680k net of expenses) through an equity placing with existing and new investors. Of the total gross proceeds, £378k (less expenses) has been received by the Company. Receipt of the balance of gross proceeds amounting to £377k (less expenses) is subject to approval by shareholders at the upcoming Annual General Meeting of the Company on 30 September 2025.

There have been no other significant events subsequent to year end.

Directors and advisors

Directors	D Goulding	(Executive Chair)
	A Adebo	(Executive Director)
	S Kingsbury	(Executive Director)
	S Claydon	(Non-Executive Director)
	R Grain	(Non-Executive Director) (Resigned 31 December 2024)
Company secretary	Shaun Claydon	
Registered office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT	
Company's registered number	England and Wales 03727483	
Auditor	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD	
Bankers	HSBC Bank Plc City of London Commercial Centre 60 Queen Victoria Street London EC4N 4TR	
Nominated adviser	SPARK Advisory Partners Limited No.1 Aire Street Leeds LS1 4PR	
Broker	Allenby Capital Limited 5 St Helens Place London EC3A 6AB	
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR	
Tax adviser	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT	