



**ARTISANAL  
SPIRITS**  
COMPANY

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The Artisanal Spirits Company plc  
Annual Report 2023

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2023

# CURATORS OF THE WORLD'S FAVOURITE SINGLE CASK AND LIMITED-EDITION WHISKY

The Artisanal Spirits Company plc's purpose is to captivate a global community of whisky adventurers, creating and selling outstanding limited-edition whisky and experiences around the world with an ambition to create a high quality, highly profitable and cash generative premium global business.

Based in Edinburgh, the Company owns The Scotch Malt Whisky Society (SMWS), Single Cask Nation (SCN) and J.G. Thomson (JGT). Owning over 17,000 casks primarily comprising Single Malt Scotch Whisky, ASC's stock includes outstanding whiskies (and other spirits) from 150 different distilleries across 20 countries.

Established in 1983, SMWS currently has a worldwide membership of over 41,000 members. With an established global presence in some 30 countries, SMWS operates a direct-to-consumer model primarily through e-commerce, in addition to four member rooms in the UK. SMWS provides members with inspiring experiences, content and exclusive access to a vast and unique range of outstanding, expertly curated, single cask Scotch malt whiskies.

You can also read our Annual Report online at [artisanal-spirits.com/ar2023](https://artisanal-spirits.com/ar2023)



AT A GLANCE

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INVESTMENT CASE

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## Highlights of the year

### Revenue

**£23.5m**  
+8%

### SMWS member lifetime value\*

**£1,173**  
(15%)

### SMWS 40th anniversary

SMWS celebrated its 40th anniversary with a successful Guinness World Record achievement and release of a 40 year old special bottling

### International expansion in Asia

Launch of a Taiwan subsidiary and a new Korea franchise, adding 1,000 members in the first year of operation

\*See Note 4 of financial statements and glossary

### Gross profit

**£15.0m**  
+9%

### SMWS membership

**41,000**  
+10%

### Significant growth in spirit value

Around £5 million investment during FY23 in outstanding single cask Scotch malt whiskies, the market value of which increased significantly

### Loyal and growing membership

Double-digit membership growth, growing to over 41,000 members

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**SUSTAINABILITY REPORT**

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**STRATEGY IN ACTION**

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## At a Glance

# WE CAPTIVATE A GLOBAL COMMUNITY OF WHISKY ADVENTURERS BY CREATING AND SELLING OUTSTANDING, LIMITED-EDITION WHISKY AND EXPERIENCES AROUND THE WORLD

At our heart, The Artisanal Spirits Company plc is driven by The Scotch Malt Whisky Society, supported by additional brands, all focussed on creating, curating and selling outstanding, limited-edition whisky and artisanal spirits to premium drinks lovers around the world.

## The Artisanal Spirits Company (ASC)

Founded to acquire The Scotch Malt Whisky Society in 2015, the ASC ambition is to create a high quality, highly profitable and cash generative global business.

ASC now owns three brands, SMWS and JGT complemented by the acquisition of Single Cask Nation (SCN) in January 2024. These are supported by the Group's supply chain facility at Masterton Bond.



## The Scotch Malt Whisky Society (SMWS)

Established in 1983, SMWS currently has a worldwide membership of over 41,000 paying members. With an established global presence in 30 countries, SMWS operates a direct-to-consumer model primarily through e-commerce, in addition to four member rooms in the UK. SMWS provides members with inspiring experiences, content and exclusive access to a vast and unique range of outstanding, expertly curated, single cask Scotch malt whiskies.



## Single Cask Nation (SCN)

ASC completed the acquisition of SCN in January 2024.

SCN sources, curates and bottles single-cask whiskies and other spirits, with an emphasis on American whiskies, selling both online and via traditional retail channels to its following of over 10,000 whisky enthusiasts in the USA and international markets.

## J.G. Thomson (JGT)

Launched in the UK in late 2021 and now expanded into international markets, JGT has a focus on outstanding, small batch blended malt whiskies and other spirits, available both through direct-to-consumer online sales and through traditional retail channels.



Total membership  
(December 2023)

**41,000**  
+10%

Gross profit

**£15.0m**  
+9%

Retention

**74%**  
(3%)

Average member  
lifetime value

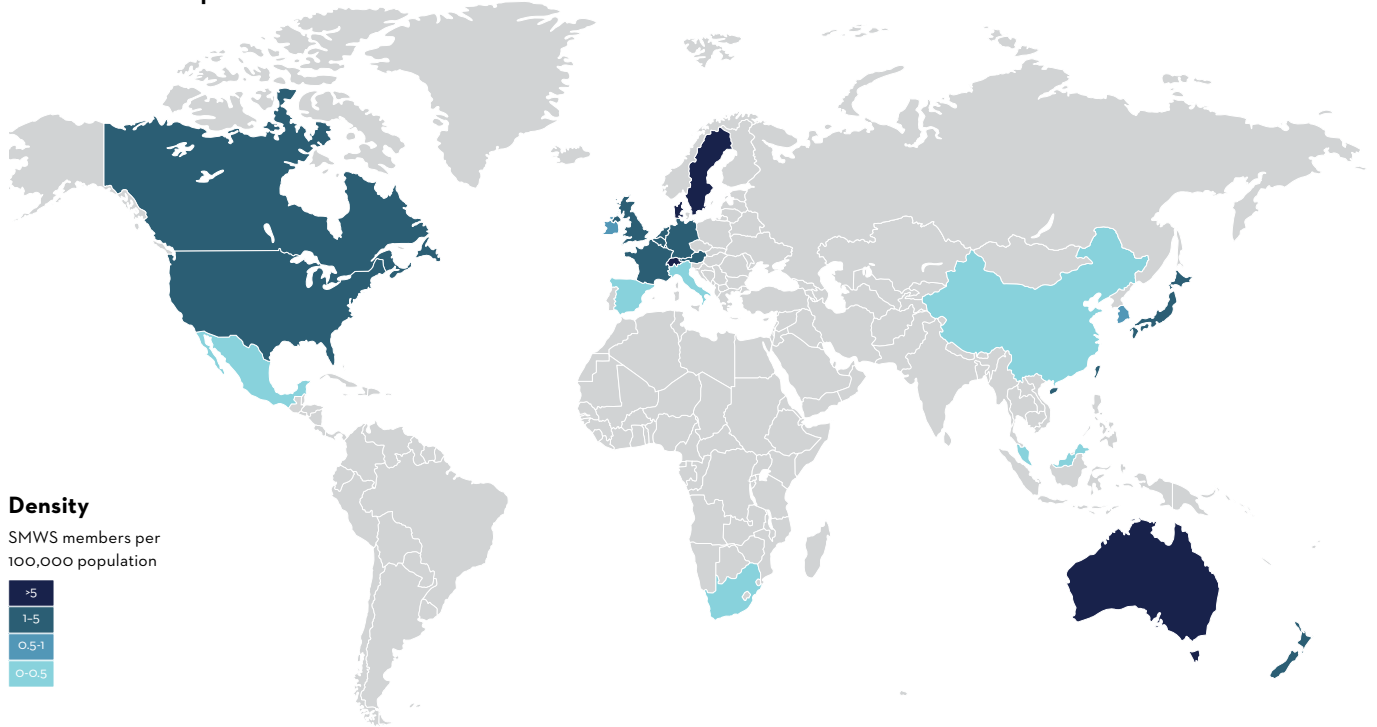
**£1,173**  
(15%)

## Masterton Bond

Opened in November 2022, the Group's multi-purpose supply chain facility provides full bottling and fulfilment operations for the Group as well as cask storage facilities.

# Presence EXPANDING GLOBALLY

## SMWS membership



### Europe

Europe is where it all began, with the establishment of SMWS in the UK in 1983. Membership is now over 25,000 (over 60% of global membership), with a strong omni-channel offering, including the four UK member rooms (across Edinburgh, Glasgow and London) delivering revenue growth of 9% in 2023 as it continues the strong recovery from the Covid lockdown in 2022. FY23 incorporates the new strategic cask sales offering to members, achieving significant growth over 2022 cask sales.

Within Europe, we have a direct online presence across most of the region including the key markets of Germany, France and Sweden, as well as strong franchises in Denmark and Switzerland.

### Asia

Asia now includes the additions of our new subsidiary in Taiwan and a franchise operation in Korea, alongside our subsidiaries in China, Japan and our franchises in Malaysia and Singapore. The region in total now represents over 20% of global revenue on 12% of total membership.

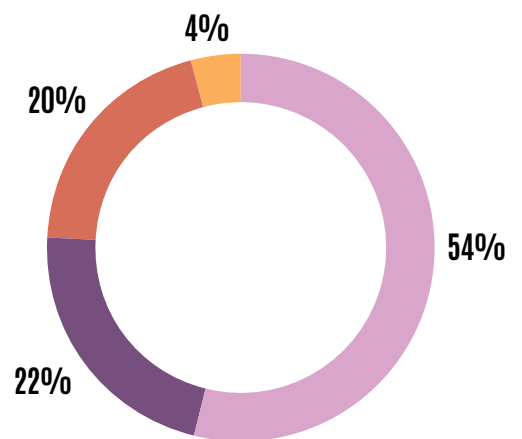
### Americas

The US market is the third largest region for SMWS, based on revenue, and the largest global market for ultra-premium Scotch whisky; it is home also to the Canadian and Mexico SMWS franchises. The region represents 20% of global membership and revenue

### Australia, South Africa and New Zealand

Our Australian subsidiary, together with franchise operations in South Africa and New Zealand represent 4% of the Group in terms of revenue.

## Revenue breakdown by region



## Key Performance Indicators

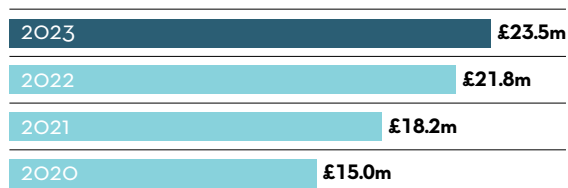
# FOCUSSED DELIVERY ON KPIS THAT MEASURE SUCCESS

Continued improvement across a number of our key financial and non-financial metrics, with clear focus on those where we can deliver profitable growth, supported by a loyal, growing and highly engaged global membership, underpinned by a substantial high quality asset base.

## FINANCIAL KPIS

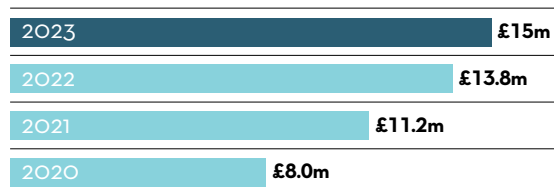
### Global revenue

**+8%**



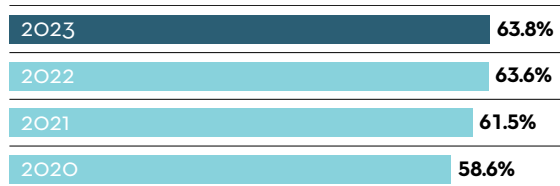
### Gross profit

**+9%**



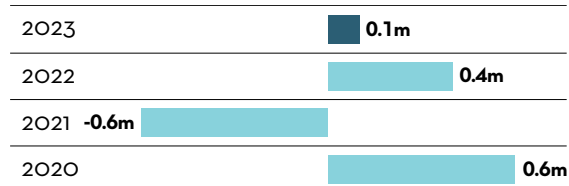
### Gross margin

**+0.2ppt**



### Adjusted EBITDA\*

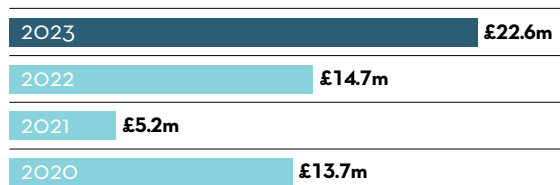
**(£0.3m)**



\* Adjusted EBITDA defined as earnings before interest tax, depreciation, amortisation and non-recurring costs as set out in Note 6.

### Net debt movement

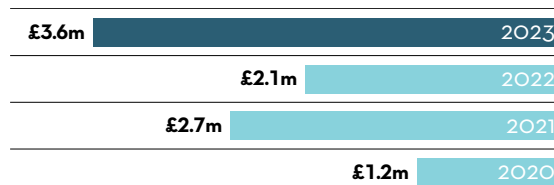
**+£7.9m**



\* Defined as non-current financial liabilities less cash and cash equivalents per Statement of Financial Position movement year-on-year loss before tax.

### Year-on-year loss before tax

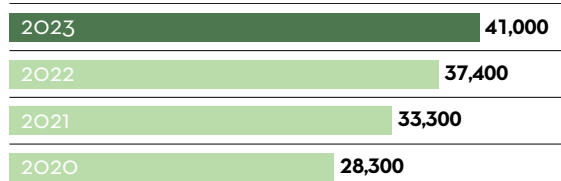
**(£1.5m)**



## NON-FINANCIAL KPIs

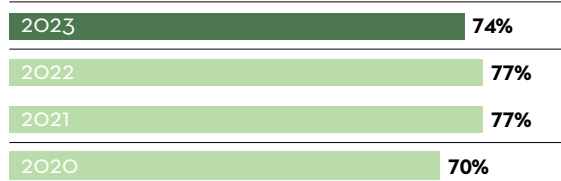
### Members

+10%



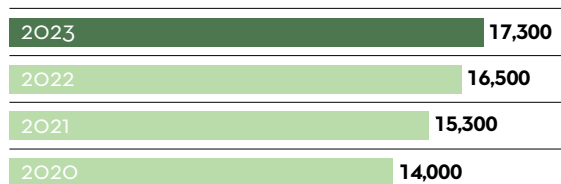
### Annual membership retention<sup>1</sup>

(3%)



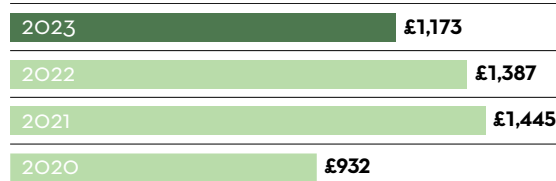
### Number of casks held

+50%



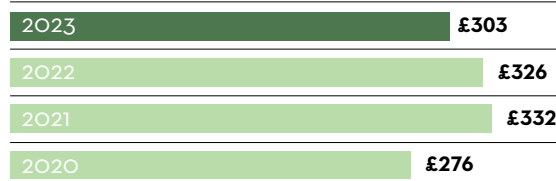
### Lifetime value<sup>1</sup>

(15%)



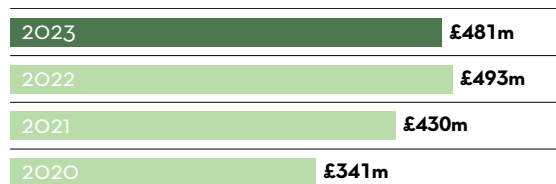
### Annual contribution per member<sup>1</sup>

(7%)



### Retail value of spirit stock\*

£481m



<sup>1</sup> Definition of calculation contained within the Glossary

\* 3.7 million bulk litres of stock held within cask inventory equating to 5.3 million 70cl bottles at an average selling price in 2023 of £91 (excluding VAT).

## Chair's Statement

# BUILDING ON STRONG FOUNDATIONS

Despite the globally challenging environment in 2023, the Group has weathered the storm and emerged stronger, more resilient and increasingly well positioned for continued growth.



Despite the globally challenging environment in 2023, the Group has weathered the storm and emerged stronger, more resilient and increasingly well positioned for continued growth.

The global whisky market continued to deliver compound growth in 2023, despite the global macro-economic and geo-political situation. Against this background, while the Group grew revenue by 8%, we were disappointed not to have delivered the growth in profitability we wanted and generated a loss before tax of £3.6 million (£2.1 million), reflecting increased interest costs, depreciation of our new supply chain facility and below expectation results in some markets such as China. This resulted in the Group resetting its growth and revenue targets for 2024 and beyond, with the delivery of the long-term plan set out at IPO being delayed by a year. Despite this temporary rephasing of growth, the Group is becoming increasingly diversified – both in terms of its geographic footprint and expanding offering, leaving it less exposed to any one market – and has the clear foundations in place to deliver ongoing and growing profitability.

In 2023 the SMWS celebrated its 40th anniversary, and the Group implemented a number of strategic actions which pave the way for the Society's continued future growth. Membership of SMWS has grown, with year-end membership at over 41,000, representing a 10% increase year-on-year. The four member venues in the UK

have continued to deliver excellent results, bringing unique and memorable experiences to our members, with The Vaults in Leith, the spiritual home of the SMWS, benefitting from a fabulous renovation as part of the Society's 40th anniversary milestone celebrations.

Alongside membership, the heartbeat of our proposition is our focus on unique, high quality whiskies that we purchase, curate and release in limited editions. In 2023 we further added to our world-beating stock of whisky, deploying the Group's funds well to ensure that we have forward stock cover well into the next decade, with 100% coverage to FY28.

To support this membership growth in 2023, we launched the newly re-packaged Membership & Bottle and the Drop & Dram subscription service across the UK, both designed to increase our membership offers and drive recruitment. To further improve our membership experience we successfully launched the SMWS app in late 2023 enabling members to order from their mobile devices with good feedback received from members supported by encouraging download levels and average engagement time.

The end of 2023 also saw SMWS embark upon offering cask sales to members. Under the 50th Anniversary Cask Club, SMWS members can purchase the contents of a cask of new-make spirit and experience its maturation journey over the next decade to the Society's 50th Anniversary – an innovative option for the Society's whisky aficionados.

In January 2024 we acquired an additional brand, Single Cask Nation (SCN), the award winning independent bottler based in the USA. SCN will further strengthen our position in the US market with an orientation towards American whiskies to complement the existing SMWS business in the USA.

In addition, the Group continued to expand its global footprint into new growth markets through SMWS. It further consolidated its go to market approach in Taiwan, the world's third largest ultra-premium whisky market,\* targeting a discerning customer base in that market by migrating from a franchise to a majority owned joint venture, while retaining the franchise partners as part of this growing business.

ASC is conservatively financed and has ample funds to continue to invest in and grow the Group for the foreseeable future.

\* IWSR Database – 2022 data



## Investors

As we build on strategic delivery and deliver future growth, profit and cash conversion, I would like to thank investors for their continued support since we completed the IPO in June 2021. The business has come a long way in that time, a credit to your belief in what we are doing.

There is frustration with the current share price, impacted by the AIM small cap performance since 2021, however we continue to have a clear strategy we will deliver against as we do everything we can to drive a more representative valuation of our great business.

## Governance

Over the last year the Board continued to pursue exemplary standards of corporate governance and drove the ASC values across the business, particularly the uncompromising approach to keeping the interests of our loyal SMWS members firmly at the forefront of everything we do.

## People

In early 2023, the former Managing Director David Ridley and the Board agreed that he would step down following six years with the Group, during which time the business delivered sustained revenue growth in 2021 and 2022, including the successful IPO on the AIM market of the London Stock Exchange under his stewardship.

Andrew Dane (previously the Finance Director) was appointed as our new CEO in January 2023 and Billy McCarter, formerly Group Financial Controller, was appointed as Chief Financial Officer in May 2023 after a successful assessment and selection process, and I would like to take this opportunity on behalf of the Board to congratulate both of them on their appointments and their excellent leadership throughout 2023.

I would like to thank the Board and the ASC team for their hard work, commitment and resilience during 2023.

## Looking to the future

We have a clear strategy focussed on delivering sustainable, profitable growth. This remains primarily driven by continuing to develop, engage with and grow our membership base, enhancing the breadth and depth of our whisky stocks, further domestic and international expansion, continued enhancement of our e-commerce platform, increasing margins and delivering shareholder value.

Our increasingly globally diversified footprint means that the Group is not over exposed to any one geography or market, further derisking the overall business. Expanding our product offering with the acquisition of SCN allows the Group to further expand sales in the valuable US market, complementing the existing SMWS America proposition.

2024 will not be without its own set of challenges, but we are navigating these well and planning accordingly. We welcomed the Chancellor's duty freeze in the recent Spring statement and remain optimistic that economic conditions will improve in the medium term, underpinning our confidence that our business will benefit from its unique and global credentials, serving our dedicated customer base in all major markets. We will continue to focus on delivering compelling whisky experiences for all of our members throughout 2024 and beyond.

We anticipate further revenue growth in 2024, albeit slightly reduced from the c20% growth rates experienced in 2021 and 2022, as we focus on driving margin and delivering sustainable profitability. As we do this, we are committed to doing so responsibly, working within The Scotch Whisky Association's Sustainability Strategy, which strives to achieve best practice. At ASC, 2024 will continue to focus on making our supply chain and packaging efficient and sustainable, as well as various efforts to reduce our carbon footprint while also reducing costs.

The Group has come through 2023 bigger and better than ever, with an expanding portfolio of quality brands and the core SMWS business in as strong a position as it has ever been. I thank you all for your continued support of the ASC business and look forward to delivering for you and our members in 2024 and beyond.



**Mark Hunter**  
Chair

## Chief Executive's Review

# ANOTHER YEAR OF STRATEGIC PROGRESS

In 2023 the Group achieved revenue growth, impressive membership expansion and delivery of various strategic initiatives which we are confident will support further growth in 2024 and beyond.

## Strategic progress delivered

Through 2023, we continued to grow both revenue and membership, as well as making good progress on our strategic initiatives. These positive steps reinforce the Group's confidence in its model and its ability to continue to grow profitably.

We did suffer headwinds during the year, most notably the macro-economic conditions in China, with consumer spending behaviour significantly knocked; however, we have delivered further diversification in our revenue delivery to achieve year on year improvement that has helped us reduce the impact at an EBITDA level, further boosted by our 50th Anniversary Cask Sale launched in Q4.

Particular strategic highlights from the year included the launch of the new subsidiary in Taiwan, the world's third largest market for Ultra-Premium Scotch whisky;\* the refurbishment of The Vaults member room in Leith (heart of the SMWS brand, with investment of £0.5 million); the creation of innovative new revenue streams (including cask sales, the Membership & Bottle product, and a monthly subscription service); digital developments including a new US website and launch of a new UK mobile app, as well as further developments in Asia with the successful launch of a new franchise in South Korea and appointment of new franchise partners in Malaysia and Singapore.

I would like to extend my thanks and recognition to all the fantastic employees within ASC for the hard work and commitment displayed during the year - their resilience, innovation and delivery of outstanding experiences for our members continuing to reach new heights.

In year, we have made changes to the Executive and Senior Management Team to support the appointment of myself as CEO and Billy McCarter as CFO, welcoming Anne Phillips as the new Marketing Director as well as key external hires to the wider Management team.



\* IWSR Database - 2022 data

I believe the current team within ASC will significantly aid us in achieving our future ambition.

**Continued growth momentum**

During 2023 we delivered £23.5 million of revenue and adjusted EBITDA of £0.1 million and a strong H2 delivery of £1.9 million of adjusted EBITDA.

We had previously set out an ambitious target of doubling ASC’s revenue between 2020 and 2024, and while we have already grown by 56% since 2020, challenging trading conditions in some markets during 2023 resulted in a temporary reset of our ambitions, delaying our growth targets by 12 months, i.e. now doubling revenue by 2025. Despite this we have continued to work hard to deliver an expanded platform to drive through growth in revenue, sales and ultimately profit in 2024 and beyond. The Group is well financed for the future and remains set on a transitional path to high single digit EBITDA margin by FY26.

**Building a high quality, highly profitable and cash generative, premium global business**

ASC is the creator of outstanding, one-of-a-kind whisky and experiences around the world and our ambition remains to create a high quality, highly profitable and cash generative, premium global business.

The core of the Group remains the Scotch Malt Whisky Society. SMWS operates a pioneering model with a loyal and growing membership who can exclusively purchase unique, award winning, limited-edition whiskies. Developing additional markets for SMWS and for our growing stable of other retail facing brands diversifies our proposition, and allows us to still deliver growth over the year despite economic uncertainty and fluctuating markets in various parts of the world.

**Underlying structural dynamics growing the addressable market**

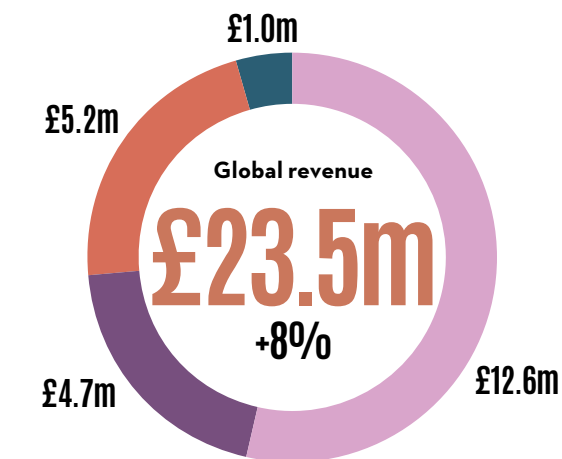
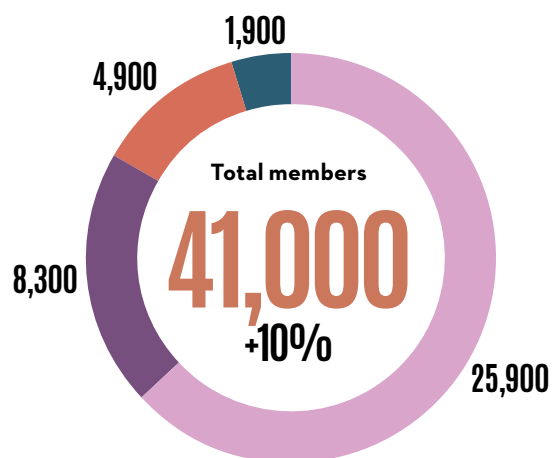
Regardless of the geo-political turmoil around the world, Scotch whisky remains a highly desirable category on the international stage. We operate primarily in the global Ultra-Premium segment which has seen substantial growth over the last decade and continues to do so. Trends such as premiumisation and experiential demand further add to the appeal of the category – with consumers seeking authenticity, status and exclusivity. The drive for increasing convenience and continued global digitalisation combine to play to ASC’s strengths as a limited-edition producer with our primarily D2C model.

The overall addressable market opportunity remains significant, with the global Scotch whisky market for Ultra-Premium price points, valued by IWSR data for 2022, at \$8.1 billion, having grown by 52% since 2020. Of this, \$6.3 billion is in markets where we already have a well-established presence and, within these markets, ASC has a market share of only 0.3% representing a significant and growing opportunity.

**Globally diversified SMWS celebrates 40th year with continued growth**

This year saw us grow global membership of SMWS once again, up 10% to 41,000 at the year end. 2023 experienced particularly strong membership growth in Europe (+29%) the USA (+17%) and new Asia markets, while the slower sales performance in China was also reflected in flat membership during the year. The Society has maintained its high levels of loyalty from our existing members, delivering recurring revenues with retention rates close to last year’s historically high level at 74%.

Share of global membership



- Europe
- Americas
- Asia
- Others

2023 was a very special 40th anniversary year for the Society, with a number of events marking this milestone held around the world, including the global Guinness world record for the largest online tasting, which saw members from almost 20 different countries take part in a simultaneous whisky tasting hosted online from the spiritual home of the Society, The Vaults in Edinburgh. SMWS revenue continued to grow underpinned by the growth in global membership, while spend per member reduced slightly from the record levels

## Chief Executive's Review continued



seen in 2022. 2023 also saw the launch of the new Membership & Bottle and Drop & Dram subscription offerings, designed to engage and entice new members, as well as the SMWS app supporting the existing members' experience and making purchase of our award winning whisky more accessible.

November 2023 also saw the Society offer its members the chance to buy the full contents of a cask for the first time, with the launch of the 50th Anniversary Cask Club. This initiative enables members to secure the contents of a cask of new-make spirit and experience its maturation towards a 50th anniversary bottling in 2033. While the initial pace of sales was slower than forecast, dozens of members joined the programme in the first few weeks following launch. Sales are continuing in early 2024 and we are focussed on delivering the full value of this programme during the year.

We further enhanced our globally diversified range of markets by completing the transfer of the Taiwanese chapter of SMWS into a majority-owned joint venture launching in 2023 and selling out 500 memberships within a day. The new franchise in South Korea achieved 300 new members on initial launch in April with a further 150 added in October.

### Acquisition of Single Cask Nation (SCN)

In the second half of 2023 we laid the groundwork to acquire SCN, the award-winning independent bottler based in the USA. The acquisition of the SCN business, including its two founders Jason Johnstone-Yellin and Joshua Hatton joining the wider group, completed in early 2024.

SCN is an independent bottling brand which sources, curates and bottles rare single-cask and limited-edition whiskies, with an orientation to American Whiskies, and other spirits for sale both

online and through specialty on-and off-premise accounts in the USA and other key international markets.

We have acquired a US business that is both complementary and incremental to our existing USA business. SMWS will continue to focus on delivering outstanding Scotch Malt Whisky, while SCN will develop a greater focus on American whiskey. This will not only give consumers something which they seek, namely interesting, unique, curated, exquisitely selected and matured whisky, but also allows us to incubate and trial new product propositions in a very low cost/low risk way with the scope to expand in due course, whilst accelerating our US operations.

The acquisition of SCN builds on ASC's already globally diversified footprint and secures a greater presence in the world's largest premium whisky market.

### JGT groundwork continues

We continued to grow our suite of superior quality spirit and complementary brands with further development of JGT with first shipments into the USA and first sales into Asia.

### Masterton Bond now fully operational

Our production and supply chain facility at Masterton Bond, near Glasgow, is now fully operational, taking care of every stage of the supply chain process from cask storage, bottling, labelling and pick, pack and dispatch. Over 200,000 bottles have now been produced at the site since it opened in 2022. The first bottling of SCN has now completed and we will continue to service SMWS, SCN and JGT and potentially other brands from this state-of-the-art facility. As the facility continues to meet the growing volume demand of the Group, in future years we look to drive improvement in margin.

### Demonstrating inherent value

ASC generates value through two key components of its unique business model; firstly, acquiring a unique collection of Scotch malt whisky and other spirits, and capturing the value as these casks mature; secondly, using this liquid to create outstanding, limited-edition whisky and experiences around the world.

The long-term substantial value comes from this second element, with stock in cask at the year-end having an estimated retail value in bottle of approximately £481 million (31 December 2022: £493 million), a slight reduction as the average selling price has declined slightly due to lower Vaults Collection and Chinese market sales in 2023, however still a significant value that represents the opportunity for around £300 million of future gross profit based on the current margin structure of the business.

While we continue on our path to realising this full value over time, the first part of the accretion capture has already delivered significant value. The Group now holds over 17,000 casks (up from 16,500 at the end of 2022) covering a vast range of styles, distilleries, makes, ages, and cask wood types. Though these casks are still carried in our accounts at the net book value of £25.3 million (31 December 2022: £23.3 million), the real current market value has increased substantially since acquisition.

This has been evidenced by both the value of casks sold during the period, which sold for an average of 4.5x the book value, but also the third-party valuation undertaken by Ferovinum; they valued the relevant inventory at 4.8x the net book value as part of the new £15 million facility announced in November 2023.

### The path to profitability

During the course of 2023, we have continued to build on the significant investments across our business made in 2021 and 2022, have a clear strategy to drive profitable growth and anticipate growing EBITDA and profit before interest and tax (PBIT) through 2024. Furthermore, the Group remains set on a transitional path to high single digit EBITDA margin by FY26.

2024 will be a year of continued profitable expansion and development, focussing on maximising the benefits of the investments and developments already made in 2023, with concentration on the “brilliant basics” of the business that we expect to see deliver revenue and PBIT growth in line with forecasts.

### Current trading and outlook

Whilst still early in the year, we are on track to meet our revised expectations for the full year. We remain positive about our ability to meet our strategic goals in the short, medium and long term, achieving revenue, EBITDA and PBIT growth as we benefit from our investments and the momentum from a profitable FY23 H2 together with increased revenue diversification through cask sales and our new SCN acquisition.

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**“2024 will be a year of continued profitable expansion and development, focussing on maximising the benefits of the investments and developments made in 2023.”**

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Confidence is supported by stronger performance in the USA, with encouraging levels of in-market depletions revenue growth for Q4-23 (+29%) and continued double digit growth in early 2024 supporting our FY24 shipment revenue forecasts. In China, double digit growth in the early months of 2024 again supports our full year forecast on broadly flat revenue in the market for 2024.

We will continue to adhere to a disciplined investment programme, ensuring we balance conversion of profit delivery to cash with investment in spirit and wood to achieve the optimal levels required to meet our future growth ambitions. We have invested ahead in our supply chain facility and technology roadmap and now have the foundation in place for profitable cash conversion. We will continue to seek partnerships in major markets for ultra-premium whisky where we are not already presented.

Early in FY24-Q2, we plan to relocate to a new Edinburgh HQ Head Office. These premises in central Edinburgh facilitate our future growth ambitions and show a commitment to our People, one of our five strategic pillars – investing in facilities more reflective of modern working practices and further building our Employee Value Proposition (EVP), as morale, collaboration and an increased sense of pride drive further productivity within the business.

We remain focussed on developing and progressing our business through the continued growth of membership globally, building a sustainable platform for the future and driving ASC towards profitability which should be achieved in the near term. We will continue to benefit from the structural tailwinds of digitalisation, premiumisation and convenience which underpin our unique business model and the continued global growth of the Ultra-Premium whisky segment.



**Andrew Dane**  
Chief Executive Officer

## Strategic Framework

# A CLEAR FRAMEWORK FOR PROFITABLE GROWTH

We have a clear framework for profitable growth that gives structure to our approach and underpins both our successful delivery to date and our future vision.

## *Purpose*

To captivate a global community of whisky adventurers

## *Proposition*

We create and sell outstanding, limited-edition whisky & experiences around the world

## *Ambition*

To create a high quality, highly profitable and cash generative premium global business

# Strategic Pillars

## WHISKY

Creating and selling outstanding limited-edition whisky

## MEMBERSHIP

A global community of whisky adventurers

## EXPERIENCES

Delivering the world's best whisky experiences

## NEW BRANDS & AUDIENCES

Creating a premium global spirits business

## PEOPLE

Recruit, retain and train the best

# Strengths

Pioneering model

Long-term global growth opportunity

Robust business, primed to deliver



## Investment Case

# A UNIQUE AND EXCITING OPPORTUNITY

Our ambition is to create a high quality, highly profitable & cash generative premium global business

Following investment in people and systems since IPO, we are now on course to deliver revenue growth that delivers at a greater proportion to the bottom line with continued profit growth driving strong cash conversion.



## Reasons TO INVEST

Investing in The Artisanal Spirits Company is an exciting prospect because:

1

### PIONEERING MODEL

- Loyal, valuable and growing global membership
- Constant stream of unique, award-winning products
- Relentless focus on innovation and delivering outstanding experiences
- Direct to consumer with proven data-rich e-commerce platform & digital content

2

### LONG-TERM GLOBAL GROWTH OPPORTUNITY

- Significant and growing addressable market
- Positioned for increased premiumisation and e-commerce growth
- Clear flightpath to profitable cash generation in the short to medium term
- Building a growing portfolio of limited-edition spirits brands

3

### ROBUST BUSINESS, PRIMED TO DELIVER

- Strong financials - high gross margin & contribution; greater than 60% and 50% respectively
- Unique and successful sourcing, curation & distribution strategy
- Current whisky stock enough to satisfy forecast demand to FY28 (with 75% to FY35)
- Experienced Board and Management leading a passionate and engaged team



The Scotch Malt Whisky Society

# WE CREATE AND SELL OUTSTANDING, LIMITED-EDITION WHISKY & EXPERIENCES AROUND THE WORLD

The Scotch Malt Whisky Society's origins are unconventional and provide an endless discovery of whisky, friendship and fun. We started out in 1983 with a few friends in Edinburgh sharing single cask whisky and experiencing a flavour epiphany.

We bring together whiskies from more than 150 distilleries around the world to captivate a global community of whisky adventurers.



SMWS has members and revenues in over 30 countries around the world

## What is THE SCOTCH MALT WHISKY SOCIETY?

### Global

> 65%

revenue from countries outside UK

### Limited edition

250

bottles per cask, typically

### Direct to consumer

> 90%

of revenue is D2C

### Membership

> 41,000

Loyal, paying, members across the world

### Premium

£91

ASP (exc. VAT)

Over 60% gross margin

### Buy from

> 150

distilleries

### E-Commerce

> 80%

of sales made online

### Bottle

Over 200,000

bottles produced in 2023

Liquid Spirit

# OUTSTANDING ASSETS



Over

**17,000** *casks.*

equivalent to over 5 million bottles

Around

**£480m**

notional retail value

Average age of 2023 bottlings of

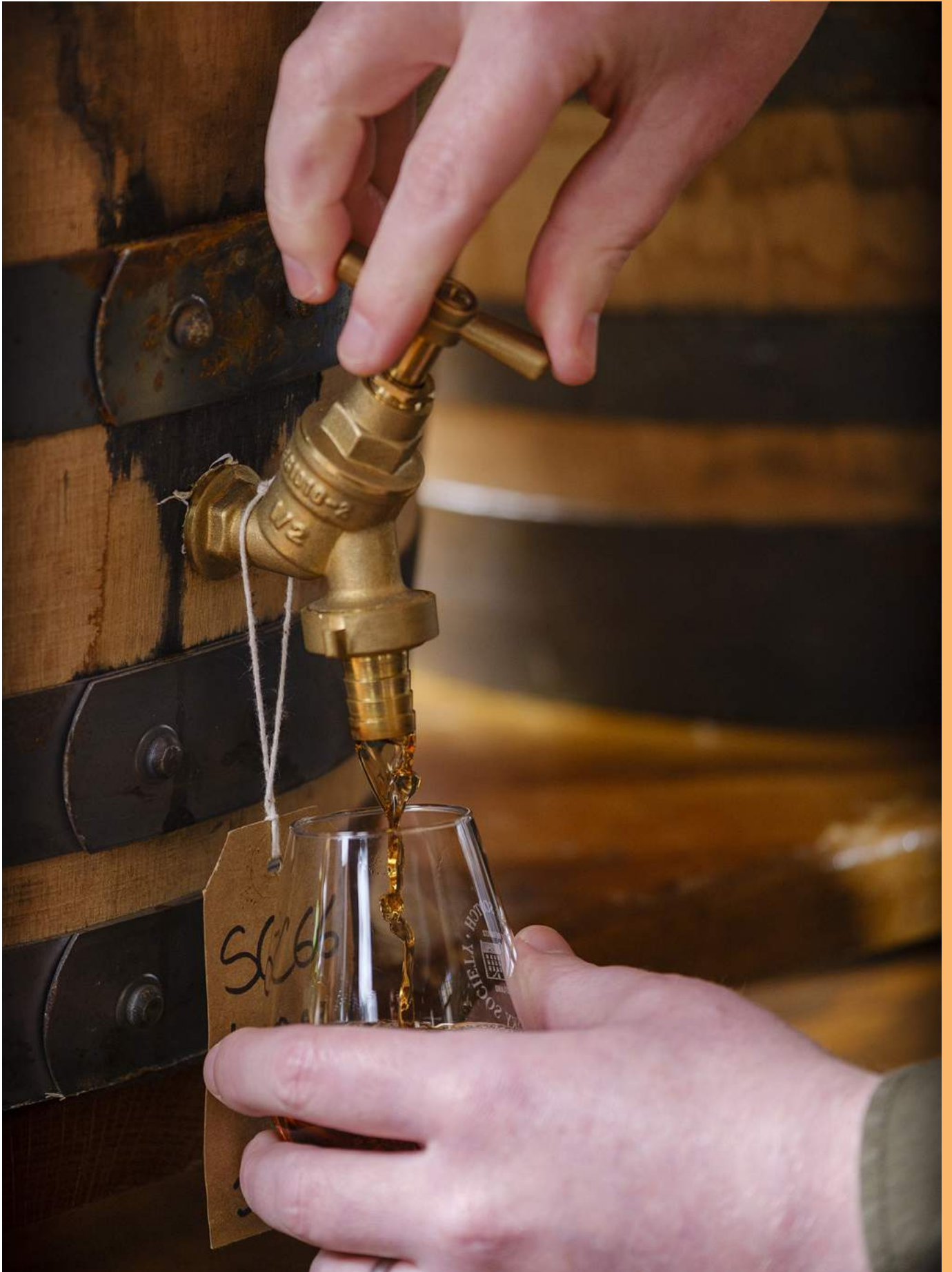
**13** *years.*

ranging from 7 years to our oldest bottling to date, our 40 year old anniversary bottle

In 2023, we bottled whisky from 54 different cask wood types, with around a quarter peated and

**45%**

ex-sherry cask



# A YEAR OF CELEBRATION AND INNOVATION



The Scotch Malt Whisky Society turned 40 in 2023, and it was a year full of celebrations for this milestone anniversary.

In our 40th year, membership numbers passed the 40,000 number for the first time in our history. Much of that growth has been due to our increasing global reach and the number of people around the world who are discovering not only the Society's incredible quality and variety of whisky, but the community we bring together to share it with at member rooms, events, festivals, partner bars and online activities. Among the year's highlights were the **official opening of the newest international branches, in South Korea and Taiwan**, where we're building passionate families of new Society fans.

Members, of course, are central to everything we do – and we were delighted to host 13 prize winning representatives from across the world to visit us at The Vaults in February, to take part in our first ever cask selection event for our **annual**

**Gathering celebrations.** As one of the prize winners, Samantha Rothbart, subsequently wrote for *Unfiltered*: "At The Scotch Malt Whisky Society, we come for the whisky, but we stay for the company." You never know where your Society membership might take you.



"At The Scotch Malt Whisky Society, we come for the whisky, but we stay for the company."



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**Awards gained since 2018****297**

Of course, the huge variety and consistent quality of our whisky is at the heart of everything we do, and this year has been bigger and better than ever before. We've seen recognition across various prestigious whisky competitions for the quality of our bottlings, taking the number of awards gained since 2018 to 297 in total for the SMWS, with more than 50 per cent of the awards for our additionally matured whisky in the 'better than gold' category.

We launched a wide range of celebratory bottlings: from a collectible set from 4 distilleries numbered 1-9-8-3, to an exceptional 36 Year Old to be sold at auction, with all proceeds going to Scottish charities.



## Strategy in Action continued



“To further celebrate this milestone year, we have taken the opportunity to refresh our spiritual home of The Vaults where we started out in 1983.”

We can also now count ourselves as a **Guinness World Records** holder – for the epic worldwide tasting that saw 447 members in more than 15 countries come together in our online tasting event at the end of September – a huge achievement and a fantastic example of how the Society brings people together – whether it’s the afternoon in Edinburgh, 7am in the United States or midnight in Australia.

To further celebrate this milestone year, we have taken the opportunity to **refresh our spiritual home of The Vaults where we started out in 1983.** The main part of the building itself dates back to the 17th century, so it’s had a few incarnations over the years. In the members room, the bar now takes pride of place, with more bottles on display and our treasured collection of first distillery releases providing the perfect backdrop and a window into our 40-year history.



“The Membership & Bottle pack not only offers prospective members or people buying gifts for others the chance to select their first Society bottling through a flavour questionnaire, but delivers in a UK-produced, sustainable pack.”



We ended the year with the launch of some completely new ways to bring the world's best whisky to our members. **The Membership & Bottle pack** not only offers prospective members or people buying gifts for others the chance to select their first Society bottling through a flavour questionnaire, but delivers in a UK-produced, sustainable pack. Our **Drop & Dram subscription** service allows new whisky adventurers to savour what the Society offers through a monthly delivery of 3 cask strength samples. And finally, our 50th Anniversary Cask Club will also allow individuals or groups of members to join forces to enjoy a whole cask worth of Society bottles as we look ahead to our 50th anniversary in 2033.



**Members at world record worldwide tasting event**

**447**

## Sustainability Report

# INVESTING IN SUSTAINABILITY

**The Group continues its commitment to becoming more sustainable and providing clear reporting on its sustainability to shareholders and all other interested stakeholders.**

SMWS is a member of The Scotch Whisky Association (SWA) and the Directors are committed to the SWA's 'Sustainability Strategy'. The Sustainability Strategy is working to ensure that the Scotch whisky industry achieves its goal of zero emissions by 2040, five years in advance of the Scottish Government's 'Net Zero' target. The SWA's target is to move towards Net Zero across the industry's operations (Scope 1 and 2) by implementing carbon reduction and energy efficiency measures. Scope 1 refers to all direct greenhouse gas emissions within the boundaries of a company's operations, while Scope 2 refers to indirect greenhouse gas emissions from the consumption of purchased electricity, heat or steam.

The Sustainability Strategy focuses on four key goals:

1. Tackling climate change.
2. Using water responsibly.
3. Moving to a circular economy.
4. Caring for the land.

The Group is focussed on minimising its own impact, in particular with respect to the first and third of the SWA's key goals: tackling climate change and moving to a circular economy. The award winning Unfiltered magazine is supplied via a fully digital and interactive edition. All Group venues have committed to all local policies for recycling and the proportion of their waste that goes to landfill to less than 10%.

The Group is also working on the 'circularity' of its products as it continues to minimise the impact of packaging; aligned with the SWA's goal of encouraging innovation in packaging technology and design across the industry, the Group is actively reducing the amount of plastic packaging required for each delivery. Revised packaging introduced has already resulted in a significant reduction in protective and unrecyclable plastic, and sourcing more environmentally friendly packaging for The Vaults Collection from local suppliers has reduced both waste and carbon miles from the import of materials. All packaging used for shipping to consumer is 100% recyclable and uses biodegradable components as much as possible. Ensuring all aspects of the supply chain are assessed for sustainability as well as efficiency and cost is built into the Group's supply chain processes.

According to the SWA, glass has the biggest impact on the industry's ability to use recycled materials in its operations: as at the end of 2018, the recycled content of the industry's product packaging was 37%.

The Group is committed to responsible sourcing of glass and our primary glass supplier has improved the percentage of recycled material within the glass used by SMWS to 67.6% in 2021, with a goal of 70% recycled glass by 2025. All decoration on the glass bottles used by the Group is currently 100% recyclable.

The transportation of the Group's products forms another key component of tackling climate change and the continued movement to a circular economy. The Group is dedicated to ensuring that products are shipped in the most efficient and expedient manner, and the supply chain optimisation facility at Masterton Bond has significantly reduced the number of road miles involved in the manufacture and supply of the Group's products. Improved logistics and distribution across Europe have also contributed to greater efficiencies and has significantly improved customer experience at the same time.

The Company has adopted a travel policy encouraging staff to consider the environmental impact of travel as well as cost and time efficiency as part of all business travel arrangements.







RGB : 405 PPI

## Section 172 Statement

# STAKEHOLDER ENGAGEMENT

Stakeholders are relevant to everything that we do. The Board has a duty to run the Company for the benefit of its shareholders, and in doing so, to consider the long-term impact of any decisions and how those decisions could affect the interests of stakeholders, including employees, the Company's relationships with suppliers, customers and wider society, and the Group's impact on the community and the environment.

Directors must ensure that decisions take into account the need for the Company to maintain a reputation for high standards of business conduct and must ensure that different shareholders are treated fairly.

Under the Companies Act 2006 (the Act), the Directors must describe how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company.

Set out below are examples of how the Directors have considered the matters set out in section 172(1) of the Act in their decision making throughout the reporting period showing:

- The issues, factors and stakeholders considered relevant in complying with s172(1), and how the Board has formed that opinion.
- The methods used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that engagement and regard on the Company's decisions and strategies during the year.

## Key decisions made

Throughout 2023 the key decisions made by the Board of Directors were:

- Approving the succession of Andrew Dane as new CEO, and the appointment of Billy McCarter as CFO.
- Appointing a new Nominated Adviser, Liberum, to improve shareholder engagement and identify new potential shareholders.
- Reviewing the strategic direction for the Group over the next five to ten years to drive long-term benefits.
- Completing the move from a franchise to a Joint-Venture in Taiwan, one of the world's largest markets for premium whisky, increasing the Group's share of revenue in that market and driving growth in line with shareholders' long term interests.
- Bringing fulfilment services in-house to Masterton Bond, improving margins and making operations more efficient and sustainable.
- Approving the renovation of the SMWS spiritual home at The Vaults, Giles Street, Edinburgh, greatly improving the member experience and delivering quality and value through the Group's lead brand SMWS.
- Securing revised credit facilities with Ferovinum, improving the Group's access to credit and leveraging the true value of the Group's cask inventory.
- Reviewing and updating the Company's ESG proposal and policy, making sure the Company and Group are aligned with ESG factors over the long term.

The Company has engaged with various stakeholders throughout the year:

### Shareholders and investors

Who engaged	How we engaged	Outcome
Executive Directors	Regular meetings with shareholders and prospective shareholders throughout the year and following interim and full-year results.	Feedback collated and supplied to the Board.
The Leadership Team	Engagement with Spirited shareholder benefit events, where members of the Board, the Executive and the wider Leadership team met with shareholders in informal settings.	All feedback from shareholders collated and supplied to the Executive team and the Board, leading to discussion at Strategy setting sessions. The views of our shareholders and investors was key to the appointment of new CEO and CFO, appointment of our new Advisor Liberum, and the Masterton bond developments.
The Chair	Regular discussions with significant shareholders assisted by the Nominated Adviser.	Comments and feedback incorporated into strategic roadmap.

### Employees

Who engaged	How we engaged	Outcome
The Executive Team	Ongoing staff engagement survey and pulse surveys.	Outcome of the staff engagement survey was analysed and resulted in an action plan for the Executive and Leadership teams.
The Leadership Team	Regular one-to-ones with staff at all levels within the business allowing two-way feedback.  The annual staff 'Spirited Awards', recognising excellence in each of the Group's core values.	Any pertinent feedback from staff relayed to the Board, the Executive and the Leadership teams.  Annual awards ceremony held, with winners from each category receiving their awards at the annual, all-staff event, embedding the Group's values
The Executive Team	360-degree feedback surveys.	Feedback from 360-degree feedback sessions held with all direct reports incorporated into development plans and strategy.

### Suppliers

Who engaged	How we engaged	Outcome
The Executive Directors	Regular engagement with key suppliers, site visits, update calls and ongoing communication, including discussions around the strategic aims of the Group.	Continuing strong relationships developed further.
The Leadership Team	Regular contact with suppliers forms part of the regular activity of the Leadership team members, with a year-through schedule of visits and other contact with distilleries, warehouse keepers and other key suppliers.	All key issues fed back to the Executive team and to the Board as necessary.

### Customers and members of SMWS

Who engaged	How we engaged	Outcome
The Board	Membership surveys	Outcome of surveys reported to the Board.
The Executive and Leadership Teams	The Executive team and members of the Leadership team have engaged with customers and members of SMWS through customer feedback surveys, the review of customer satisfaction reviews and through ad hoc face-to-face interactions with SMWS members at various SMWS events.	Feedback from customers and SMWS members has been supplied to the Board and factored into decision making. This was instrumental in our renovations of the Vaults, understanding members needs and wants in respect to our ESG policy and helping evaluate our strategic direction.

### Community and the environment

Who engaged	How we engaged	Outcome
The Board	Environmental, Social and Governance (ESG) Board and Committee meetings.	Receipt of regular ESG progress reports at each Board meeting.
The Executive Team	Attendance at industry ESG Forums and interaction with ESG experts.	Amendments to the ESG approach suggested to the Board for approval.

## Chief Financial Officer's Review

# STRONG H2 PROVIDING MOMENTUM FOR GROWTH IN FY24

H2-23 profitability and investment in innovation and systems provide the base for sustained future profit delivery.



## Revenue growth and key investments achieved against challenging economic headwinds

FY23 has been a year of challenge within the wider spirits Industry, most notably the economic climate in China, cost of living pressures and the US post-Covid market rebalancing.

We are disappointed to have not delivered the growth in profitability we wanted, generating a loss of £3.6 million (2022; £2.1 million), impacted by increased interest costs, depreciation of our new Supply Chain facility and below expectation results in some markets such as China. As we look forward, our profit delivery expectation has re-phased by a year, with initial EBITDA profit in FY24, and PBIT from FY25.

This FY24 objective is supported by FY23-H2 momentum where we delivered strong results recognising 12% revenue growth against H2-22 and resulting in H2-23 adjusted EBITDA profit delivery of £1.9 million. Full year growth in gross margin of 0.2ppt, and completion of the key investments we set out to achieve by the end of FY23, setting us up well to achieve our EBITDA and PBIT profit ambition and, more importantly, sustained and growing profit and cash delivery in the near to medium term.

In FY23, we delivered revenue growth of +8%, achieving £23.5 million, and an EBITDA loss of £0.5 million which, after accounting for non-recurring areas of spend (Executive and Senior Management Team restructure costs, pre-acquisition costs of Taiwan, Single Cask Nation (SCN) and final Masterton move costs), resulted in an adjusted EBITDA of £0.1 million. The loss before tax was £3.6 million, impacted by lower profitability than expected, predominantly driven by market conditions in China.

At a Group level, I am enthused by our continued ability to strengthen the diversification of our business with regards to revenue and profit delivery – more than offsetting challenges in any one market.

## Diversified Global Revenue Europe

As the home of SMWS, the European region remains our largest global market, with around 60% of total Group membership comprising UK Online, UK Venues, Europe and our two franchise markets, Denmark & Switzerland. The region delivered 29% revenue growth year-on-year, within markets like Germany and France as well as another year of continued growth within our UK venues, achieving 9% revenue improvement on FY22.

This omni-channel approach in the UK, with four outstanding member rooms complementing the online presence at [www.smws.com](http://www.smws.com), remains a key recruitment tool for the Group, with over 1,200 new members joining via venues in 2023.

The biggest driver of Europe growth was the delivery of £2.7 million in cask sales to members and where appropriate to the trade, up from £0.5 million in 2022. This is further testament to our ability to deliver new revenue streams and increase diversification.

## Asia

Our key Asian markets of China, Japan and Hong Kong were joined in year by the launch of a new subsidiary in Taiwan and a new franchise operation in South Korea. The launch of Taiwan and South Korea in H2-23, resulting in 1,000 new members, ensured the region closed the year with over 4,850 members, signifying an almost 30% growth year-on-year.

As stated, the Chinese economy faced significant challenges in 2023, resulting in a 30% revenue decline to £3.5 million in year (2022: £5.0 million), a return to pre-2021 levels.

We expect the recovery in China will be at a steady pace over the next 2 to 3 years. Our outlook for FY24 as a Group starts from the current base and a prudent growth trajectory over the next few years, seeking to take opportunity in China as it recovers, over the medium term.

Japan closed a successful 2023 with 20% revenue growth, achieving £1 million of sales in 2023, and a closing membership of almost 2,000 members, +5% year-on-year.

Our other Asian markets operate on a franchise basis, with new partners taking on Malaysia and Singapore during the year.

## Americas

The North American market is led by the United States, supported by franchises in Canada and Mexico – with the US business representing over 90% of the region based on revenue delivery. From a shipment viewpoint, the market achieved flat performance year-on-year, heavily impacted in the first half by volume declines in the USA as a result of de-stocking as consumer behaviour and on-trade consumption fell back to pre-Covid levels.

Q4 in the market from a depletions perspective was strong, achieving three consecutive months of growth and a December out-turn that achieved the second highest month of depletion sales on record. With full year depletions up 5%, and membership growth of +17%, the encouraging end to 2023 gives us strong momentum heading into FY24.

## Other (Australia, New Zealand and South Africa)

The other markets within SMWS, representing 4% and 5% of the Group business based on revenue and membership respectively, consist of our wholly-owned subsidiary in Australia and franchise operations in New Zealand and South Africa.

Performance was 20% down on prior year from a revenue perspective, driven by economic conditions and high inflation in Australia where consumer spending has been cautious. Membership growth achieved was 5% year on year, again driven by the Australian market, providing a good base for 2024.

## Cost base investment setting us up for greater Gross Profit delivery to the bottom line

Further investment in systems was made in 2023, in line with our technology roadmap. As we enter 2024, the major investments of 2023 and earlier years have materially concluded, meaning future revenue growth will ensure gross profit flow-through to PBIT level.

The main elements of our cost base (advertising & promotion (A&P), payroll and wider business overhead costs), have seen increases year-on-year as a result of our strategic investment plans. Importantly however, our H2 EBITDA delivery was supported by a cost base 16% lower than H1, a result of investment predominantly made in H1. This gives substance and focus for a well-controlled cost base in 2024 and beyond.

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**“We delivered a strong H2, recognising 12% revenue growth against H2–22 and resulting EBITDA profit delivery of £1.9 million.”**

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## Chief Financial Officer's Review continued



	Selling & Distribution Expenses		Administrative Expenses	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Commission	1,524	1,461	-	-
Advertising & Promotion (A&P)	3,081	2,743	-	-
Depreciation	1,455	1,259	-	-
FX Loss	178	40	-	-
Overheads	-	-	4,191	3,849
Payroll	-	-	6,712	6,026
<b>Total</b>	<b>6,238</b>	<b>5,503</b>	<b>10,903</b>	<b>9,875</b>

Within A&P, we have spent £3.1 million (2022; £2.7 million), the increase of £0.4 million driven by marketing for our new product offerings.

Investment in 2024 will remain around the same level as 2023 as we seek continued improvement on the return on our investment and less cost-intensive marketing of product innovations.

From a payroll perspective, the £0.7 million increased spend in 2023 at £6.7 million (2022; £6.0 million) is driven by two key elements - the high-inflationary impact of pay increases in 2023, at an incremental cost of £0.3 million in year, as we remain committed to being a Real Living Wage employer and utilising CPI as the main independent determinant of pay review increases, and the organisational restructure costs of £0.4 million following changes to our Executive and Management team in the year.

Within wider business overhead costs, investment of £0.3 million in our technology roadmap, and initial set-up costs of £0.1 million for new ventures in the year relating to the Taiwan subsidiary and Single Cask Nation (SCN), £0.1 million, have resulted in a spend in 2023 of £4.3 million (2022; £3.9 million).

At a depreciation level, the increased depreciation of £0.2 million relates to our new Supply Chain Facility.

During the year we chose not to hedge against our USD exposure, choosing to self-hedge alongside our planned Single Cask Nation investment, resulting in £0.2 million FX loss in year. This will be further reviewed in 2024.

### Share Incentive Schemes and EPS

We have followed up the award of share options in 2022 with further options within the scheme.

In 2023, 670,000 new share options were issued, consisting of time vesting options for central office and venue staff. Senior Management options are all performance related, based on revenue, EBITDA and share price.

Our Earnings per Share at the end of 2023 is (5.5p) as a result of the loss-making position, with positive bottom line return expected by 2026.

### Balance sheet strength, supported by cash liquidity through asset backed funding, allows for continued cask investment

Our balance sheet strength remains strong, with net assets of £18.3 million supported by further gross investment in spirit and wood of around £4.7 million (2022: £3.0 million).

“This year has seen further investment in systems, in line with our tech roadmap, as well as innovation with regards to our product offering, namely our new Membership in a Bottle and Drop & Dram subscription products.”

At a cash level, net cash from financing activities increased by £6.6 million, more than planned due to the greater loss after tax position; £3.7 million (2022; £1.7 million), interest costs of £1.5 million (2022; £0.5 million), as UK interest rates have climbed to their highest rates in over 15 years and inventory holding - predominantly further net spirit investment of £2.3 million (2022; £4.5 million), allowing us to fully meet forecast demand for the next 5 years, and 75% loan into the next decade.

We have also made strong investment in key strategic areas in the business over FY23, with £2.1 million (2022; £3.3 million) consisting of final elements of Masterton Bond, fully operational midway through FY23, supported by refurbishment of The Vaults in Edinburgh, our technology roadmap including the launch of our new member app and continued investment in cask wood.

During the year we entered into a new £15 million facility arrangement with Ferovinum to allow draw down of more debt which recognises the strength of the cask spirit in our balance sheet and allows us to recognise relevant stock at a truer market valuation to that of the more cautious valuation approach used by banks in a classic asset based facility.

These investments facilitate a strong foundation for the future, delivering a number of strategic priorities in 2023 that will deliver returns in 2024 onwards. The major system investment planned for 2024 is our ePos improvement programme, estimated at around £0.3 million.

The above investments, together with a greater than expected loss before tax and additional interest costs of around £1.0 million has resulted in a net draw-down of debt of £7.9 million.

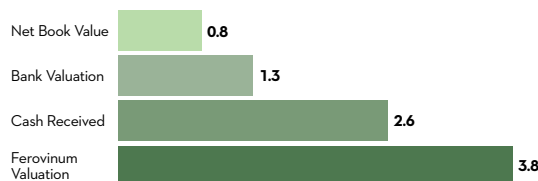
**Improved optionality and flexibility for Group investment through our complementary cask spirit, asset backed, Ferovinum financing facility**

Complementing our £21.5 million existing revolving credit facility with The Royal Bank of Scotland (RBS), of which £1.5 million headroom remains at the end of FY23, the Group agreed a new financing facility of £15 million with Ferovinum, giving the Group further financial flexibility to develop its business via recognition of the significant appreciating cask spirit asset base.

The Ferovinum platform allows the Group to convert our maturing stock into a financial asset at a truer market valuation compared to the net book value held in the balance sheet, and the only other externally guided amount provided by the Bank (RBS). As part of the initial agreement, Ferovinum extended to ASC £2.6 million in cash, through a cask spirit parcel valuation of £3.8 million at 70% loan to value ratio, for a maximum period of two years with the same headline interest margin as ASC’s existing RBS banking facility.

To highlight the significant value increment achieved via Ferovinum, the Net Book Value of the casks within the initial £3.8 million transaction held on the Balance Sheet was £0.8 million, the RBS valuation was £1.3 million and Ferovinum’s valuation, using market, generated intelligence was £3.8 million, representing a 380% and 191% incremental valuation on the net book value and bank value respectively.

**Ferovinum - Truer value represents 380% uplift against NBV**



Artisanal Spirits Company - FY23 Results Presentation

**Billy McCarter**  
Chief Financial Officer

**Year end facility headroom:**

**£14.0m**

**Year end net debt movement:**

**£7.9m**

**Year end net assets:**

**£18.3m**

## Risk Management

# MANAGING OUR RISKS

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**The Board reviews the effectiveness of the Group's risk management process. It also manages the Group's evolving risk environment as it approves the strategy, key decisions, budgets and annual operating plans.**

The key elements of the Group's risk management control process are:

- The Group maintains a comprehensive risk register. The risk register contains details of all material risks which have been identified by Management which might impact the Group and its profitability. It includes an assessment of the likelihood of a risk event taking place, the expected severity of its impact, details of the mitigation strategies which Management have put in place in order to reduce either the likelihood of the risk taking place, the impact of that risk, or both, and the residual likelihood and impact of the risk, taking into account those mitigating factors.
- The Board determines the principal risk items for the Group following a recommendation by the Audit Committee once a year.
- The Board of Directors, assisted by the Audit Committee, oversees an annual rolling schedule of reviews of each of the categories of significant risks, with changes in the risk profile, impact, likelihood and mitigation strategy reviewed and agreed. This results in a full annual review of the risk register.
- Responsibility for maintaining the risk register, as well as implementing and monitoring mitigating actions, lies with the Executive Directors and the wider Senior Management team.

The Board is satisfied that, through the processes set out above, it is able to effectively identify, assess and manage the risks affecting the Group. The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee.

Using the process set out above, the Board believes that it has undertaken a robust assessment of the principal risks which threaten the implementation of the strategy and the long-term viability of the Group and is satisfied that appropriate mitigation plans are in place.

### **Risk impact assessment**

When considering the potential impact of our key risks, we have linked them to the key performance objectives that they are likely to impact if crystallised. We have not undertaken specific stress testing for every risk but, as part of our overall impact analysis as well as our going concern assessment, we have considered the likely magnitude of the realisation of major risks on the balance sheet and cash flow forecasts. These forecasts are based on detailed budgeting which is prepared for the next fiscal year with revisions done mid-year, together with a forward view of the subsequent 24 months (forecasts for 36 months). Based on its assessments, the Board believes that the Group is well-placed to withstand the impact of realisation of reasonably foreseeable risks over the forecast period through a combination of the mitigation in place, the strong balance sheet we closed FY23 with, and our ability to make adjustments to our plans, should they be required.



## Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are summarised below.

The Group has elected to list the principal risks and uncertainties thematically under the sub-headings which follow.

### Risk trend



↑ Increasing   ↔ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>SUPPLY CHAIN RISKS</b>			
<b>The Group is reliant on distilleries to produce the spirits for the Group's maturation process.</b>	The Group does not currently distil its own spirits and is therefore highly reliant on distilleries to produce the spirits for its maturation process.	The Group does not have any significant reliance on one distillery and the Directors and Executive team have strong relationships with individual distilleries and the whisky industry more generally. The Group has also accumulated a large stock of spirits, which is the equivalent of approximately 26 times the volume sold during FY21, and has coverage of 100% of the stock that it expects to sell through to the end of 2028.	↓
<b>The Group's operating results may be adversely affected by disruption to its in-house and outsourced bottling, storage and distribution operations.</b>	The bottling operations of the Group are carried out materially at Masterton Bond, the Group's supply chain facility which went fully operational in 2023. Small levels of bottling take place at third-party bottling plants. Over half of the Group's cask inventory stock is stored at a single bonded warehouse facility in the UK provided by John G Russell (Transport) Limited, with the remaining stock distributed, either in its own facility at Masterton Bond or amongst a number of other bonded warehouses provided by third-parties, including distilleries at which stock is distilled. The Group relies on distributors in relation to its UK and foreign operations.	The Group's own bottling facility has sufficient capacity to meet the Group's full bottling needs each year. External relationships with third-party bottlers remain in place and could be used in the event of any disruption at Masterton Bond in either the short or the medium term. Making use of multiple warehousing arrangements spreads and minimises the risk of material disruption and has built in contingency.  Third-party distributors can be easily put in place in all of the material markets in which the Group operates.	↓

## Principal Risks and Uncertainties continued



## Risk trend

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>SUPPLY CHAIN RISKS continued</b>			
<p><b>The Group's business could be materially adversely affected if there was a significant disruption to any of the Group's production, storage or distribution operations, both in-house and outsourced.</b></p>	<p>In the event of the insolvency of any one of the Group's production, storage or distribution providers, or any other termination of such operations, the Group may not be able to arrange for alternative production, storage or distribution on as favourable terms, or with sufficient speed to ensure continuity of business, or at all. Further, if there were a technical failure, fire, explosion or any other event resulting in a major or prolonged disruption at any of the facilities used by the Group's service providers, this could result in a significant loss in production capacity and significant costs and/or damage to the Group's reputation, all of which could have a material adverse effect on the Group's prospects, results of operations and financial condition. Although the Group carries insurance, not all risks may be covered by its policies, and any insurance coverage available may be insufficient to cover some or all costs. There may also be a disruption to sales which could impact relationships with members and in turn adversely affect the Group's prospects, results of operations and financial condition.</p>	<p>The Group's operations are carefully monitored with contingencies in place to allow production to be transferred to another provider in the event of a third-party or in-house operational failure. Operational activities within the Group's in-house production, storage and distribution facilities are monitored and controlled, with remedial, risk mitigation and maintenance actions taken on a regular basis. The Group's insurance provisions are considered annually and are deemed to be appropriate and sufficient.</p>	
<b>BRAND RISKS</b>			
<p><b>The Group may not be able to protect its intellectual property rights. Certain countries in which the Group operates may offer less stringent intellectual property protection than is available in Western Europe and the US.</b></p>	<p>The Group owns and licenses trademarks and other intellectual property rights that are important to its business and competitive position. The Group cannot ensure that third parties will not infringe or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns and licenses. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property. Overseas litigation to defend the use of trademarks and brands could be excessively expensive and time-consuming.</p>	<p>The Group maintains a robust system to monitor and review its suite of trademarks across multiple jurisdictions and react to any potential infringements. All new branding is reviewed to ensure that suitable and appropriate trademark protections are in place, with all intellectual property registrations made as appropriate.</p> <p>A trademark strategy and future-proofing team has been set up to consider future ASC brand opportunities (and what opportunities in market, across category and class); competitor-related applications and tactical trademarking by country to support current business as usual and future strategy development.</p> <p>As a member of The Scotch Whisky Association (SWA), the Group works with the SWA to support their efforts in continuing to protect the unique brand of Scotch whisky internationally. The SWA operates a worldwide trademark watching service and alerts SWA member companies if any trademark application looks likely to infringe their intellectual property.</p>	

**Risk trend**

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>BRAND RISKS continued</b>			
<p><b>A reduction in the quality of the Group's products could harm the integrity of, or support from members for, the Group's brand and products and adversely affect sales.</b></p>	<p>The success of the SMWS, JGT and SCN brands depend upon the positive image that members have of the products. A lack of quality in the products or contamination of the Group's products, whether accidental or deliberate, could harm the brand and could adversely affect sales.</p>	<p>The Group maintains stringent quality assurance measures. A mature and embedded spirits team is engaged to ensure that the quality of the Group's products remains high. The Group's products are regularly submitted to third-party tasting and continue to regularly win awards.</p>	
<b>MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT-RELATED RISKS)</b>			
<p><b>The Group operates in certain jurisdictions through franchises, joint ventures and partner bars.</b></p>	<p>SMWS currently has 11 franchise agreements in place covering the sale of products in each of Canada, Denmark, Switzerland/ Liechtenstein, New Zealand, South Africa, Mexico, South Korea, Thailand, the Philippines and Malaysia. Taiwan moved to a new joint venture subsidiary, 70% Group owned, in 2023. In addition, drams of SMWS whisky are sold in around 100 partner bars around the world. The franchises and partner bars are independent operators. The Group's image, brands and reputation may suffer in certain jurisdictions if the franchises or partner bars that operate in those jurisdictions do not uphold the standards of the Group. This could have an adverse effect on the Group's ability to maintain and attract new members in those jurisdictions. The Group operates in China and Japan through joint-venture companies.</p>	<p>The Group maintains some control over the franchises through the enforcement of the franchise agreements. The Group regularly monitors partner bars, but for the most part has no contractual relationship with them. The Group owns 75% of SMWS China, 80% of SMWS Japan and 70% of SMWS Taiwan. The counterparty in China is an individual who is a long-standing professional partner of the Directors. The counterparty in Japan was appointed as the new Managing Director of SMWS Japan at the end of 2021. In Taiwan, the JV MD is the former franchise partner. All are key to the Group's operations in those jurisdictions. The shareholders' agreements with each joint venture partner contain 'put and call options' over the shares allocated to the joint venture partner in the relevant joint venture company. The shares allocated to the joint venture partners represent minority positions in the joint venture companies. The options over the shares in both SMWS Japan and SMWS China will become exercisable at the end of December 2024.</p>	

## Principal Risks and Uncertainties continued

## Risk trend

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT-RELATED RISKS) continued</b>			
<b>The Group's overseas operations are reliant on finding and maintaining reputable and appropriate importers, distributors and customer service providers on favourable commercial terms.</b>	For some overseas territories, the Group enters into agreements with third-party importers for the distribution of the Group's products on an exclusive basis. This is particularly important in relation to the Group's US operations due to the unique three-tier regulatory system in the USA. These agreements are generally for a fixed term and terminable upon a short notice period. Any failure to renew agreements with third-party importers, the termination of these agreements or a dispute with importers, or the termination or failure of any other party or arrangement in the distribution chain could result in disruption to the Group's normal distribution channels, and loss of sales or members.	The Group keeps the various third-party relationships with importers and other parties in the distribution chain under review. Alternative third parties are available in almost all cases.	↓ ↑
<b>MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT-RELATED RISKS) continued</b>			
<b>Changes in duty rates could adversely affect the Group's profitability.</b>	Alcoholic beverages are subject to national excise, import duty and other duties in most countries around the world. The Directors believe one key risk to profit margins is the rate of duty on the sale of spirits set by HMRC. Duty represents a significant cost that is effectively passed on to the customer. Whilst duty is not paid by the Group directly in relation to exports, the price that overseas purchasers will pay for the Group's products is dependent on their expected margins after the payment of duty due in overseas territories. An increase in any such taxes or duties could have a material adverse effect on the Group's sales revenue or margin.	Tax and duty regimes are kept under regular review. The Group operates across a number of different jurisdictions and is not materially dependent on any one jurisdiction or market.	↓ ↑

**Risk trend**

↑ Increasing   ⇄ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>CHANGES TO CONSUMER PREFERENCES</b>			
<b>Demand for the Group's products may be adversely affected by changes in consumer preferences.</b>	Consumer preferences and spending habits may shift due to a variety of factors that are difficult to predict and over which the Group has no control (including lifestyle, nutritional and health considerations and regulatory changes). Any significant changes in consumer preferences or any failure to anticipate and react to such changes could result in reduced demand for the Group's products and weaken its financial performance and competitive position.	The Group continues to monitor consumer spending trends and has diversified into the production and sale of small batch premium spirits other than single malt Scotch whisky through JGT, as well as single cask Scotch and American whiskies through SCN, and will continue to explore other opportunities. Current consumer trends show an increased movement towards premium brands, which the Group is well positioned to exploit.	↓
<b>ECONOMIC RISKS</b>			
<b>The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets.</b>	The Group's results are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets. Any deterioration in the economic conditions in the Group's key markets could lead to reduced consumer confidence and spending and reduced demand for the Group's products. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business.	The Group is diversified across a number of separate jurisdictions and regions and is not wholly dependent on any one market for its continuing operations.	↑

## Principal Risks and Uncertainties continued


## Risk trend

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>CLIMATE-RELATED RISKS</b>			
<b>Changes in climate may have an adverse effect on spirit production.</b>	Fertile land and reliable rainfall are essential to grow the grains used in the production of whisky and to provide a high-quality water supply for distilleries. Adverse climate change could result in the disruption of infrastructure and negatively impact the Group's supply chain operations.	<p>The Scotch Whisky Association has recognised the threat of climate change to the whisky industry and has introduced strategies to reduce the industry's environmental impact, including research into climate change resistant barley and other grains.</p> <p>The Group's primary supply chain facility, storage facility and bottling plant is located in an area which is at low risk of disruption through flooding, drought or extremes of temperature.</p>	↑
<b>PERSONNEL RISKS</b>			
<b>The Group's success depends on retaining and replacing key personnel and attracting highly-skilled individuals.</b>	The Group's success depends substantially upon the efforts and abilities of its key personnel, its ability to retain such personnel and to successfully manage succession in key roles. The loss of the services of any member of the Executive Management team and a failure to replace them with an individual who has similar levels of experience, knowledge and connections in the industry could have an adverse effect on the Group's operations. Competition for such individuals in the whisky industry is intense. The Group may not be successful in attracting and retaining such individuals in the future, which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The loss of certain individuals in non-managerial positions may also have a material adverse effect on the Group's business where such individuals possess specialised knowledge that is not easily replaceable.	The Group's Executive and Leadership teams have significant experience, knowledge and connections in the industry in which the Group operates. Executive succession plans are in place in respect of each member of the Board, the Executive team and the Leadership team, and are reviewed and approved by the Nomination and Governance Committee. Remuneration packages for senior Executives are reviewed and approved by the Remuneration Committee and are designed to be competitive and considered within the context of industry peers.	↓ ↑

**Risk trend**

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>DATA AND IT RELATED RISKS</b>			
<p><b>The Group's operations could be adversely affected by breaches of data security or a breakdown of its information technology systems or a failure to develop these systems.</b></p>	<p>The Group is highly reliant on its information technology (IT) systems for the processing, transmission and storage of electronic data relating to its operations and financial reporting. A significant portion of communications among the Group's personnel, members of SMWS and suppliers relies on the efficient performance of IT systems. As an e-commerce-focussed business, the success of the Group is dependent on its technical capabilities and it relies to a significant extent on the efficient and uninterrupted operation of its website, and the systems of its third-party suppliers, such as external hosting providers, including the internet.</p>	<p>The Group has an IT strategy which makes use of material and well-known third-party providers for IT systems and support, in accordance with international standards, and keeps service levels and outage levels under constant review. Full mitigation plans are in place in the event of any material IT issues. Third-party support is in place and backup systems are regularly tested.</p>	

## Principal Risks and Uncertainties continued

## Risk trend

↑ Increasing   ↕ Unchanged   ↓ Decreasing

Risk	Impact	Mitigation	Movement
<b>OUTSIDE RISKS</b>			
<b>Risks outside the control of the Group may impact its operations.</b>	<p>The Group's operations may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, hostilities, war, subversive activities or sabotage, fires, floods or other catastrophes, pandemics, epidemics or quarantine restrictions. As a result of Covid-19, many countries imposed restrictive measures to limit the spread of the virus, including, among other things, the temporary interruption of production activities, commercial activities and restrictions on the movement of goods and people. Any further regional or global epidemics or pandemics or the further spread of Covid-19 may have an adverse effect on the Group's business, results of operations and financial condition.</p> <p>During 2022 Russia invaded Ukraine, which led to restrictions on the availability of oil and natural gas, energy cost increases and an increase in instability in the geo-political arena. It is not possible for the Directors to accurately predict the duration of the war in Ukraine, or the long-term impact on the European and wider market.</p>	<p>The Directors consider that the growth in online revenues experienced by the Group during 2020 and 2021 was due, in part, to the Covid-19 lockdown restrictions in place in the jurisdictions in which the Group sells its products, and the resulting general shift to online purchases. The Group has no control over the nature or length of government-led restrictive measures and the impact these measures may have on consumer demand for the type of products the Group sells across the different channels through which the Group operates. The Group has no exposure to the Russian invasion of Ukraine in terms of membership or supply.</p>	

This Strategic Report was approved on behalf of the Board, by Andrew Dane, the Chief Executive Officer, on 27 March 2024.



**Andrew Dane**  
Chief Executive Officer





## Board of Directors



**Mark Hunter**  
Non-Executive Chair

Mark is the former President and CEO of Molson Coors Brewing Company, a top five global brewer which had revenues of \$10.8bn, EBITDA of \$2.45bn and operations in over 25 markets globally as at 31 December 2018 (the end of the last accounting period before Mark retired). Mark retired from this role on 30 September 2019. Mark recently served as a non-executive director of Treehouse Foods from April 2020 until April 2024.

Mark has 35 years of marketing, sales and business unit leadership experience in North America, Europe and internationally. He has a track record of successful portfolio development, mergers and acquisitions, business integration and synergy delivery including the \$12bn acquisition of MillerCoors in the US and multiple brand acquisitions.

He is a people-orientated leader who believes passionately in clarity of purpose and ambition, aligning people to build enabling cultures and investing to build leadership capability, engagement and executional brilliance.

### Term of Office

Appointed 24 March 2021

### Independent

Yes

### External Appointments

None

### Committee Membership

Nomination and Governance Committee



**Paul Skipworth**  
Non-Executive Deputy Chair

Paul started his career in corporate strategy consulting for ten years at LEK Consulting, and was then a Partner in an Asian based venture capital fund. Paul then spent 13 years building consumer brands and leading consumer companies globally at LVMH, working across consumer markets in Europe, Asia Pacific and the USA. Paul was CEO and COO of Glenmorangie for five years, Regional Director Asia Pacific at Moët Hennessy, Senior Vice President of Strategy for Moët Hennessy and was a Partner in L Capital, LVMH's sponsored private equity fund focussed on the consumer sector.

Appointed 30 March 2015

No

Paul is the Managing Partner of Inverleith LLP.

Audit Committee

Nomination and Governance Committee



**Andrew Dane**  
Chief Executive Officer

Previously Finance Director of the Company since August 2020, Andrew was appointed as Chief Executive Officer in January 2023 and is charged with driving the next phase of growth in line with ASC's stated strategy.

Andrew previously worked for eight years at KPMG transaction services in London, Edinburgh and Toronto. During this time he worked on over 100 transactions covering multiple sectors, business sizes and geographies, including five Scottish capital markets transactions.

Prior to joining the Company, Andrew was the Finance Director at Argent Energy, the high growth UK biodiesel producer, from 2014 to 2020. He helped increase the size of Argent Energy's business from around 65 employees and approximately £50m turnover in 2014 (following their 2013 acquisition by Swire) to around 350 staff and approximately £350m turnover in 2020.

Appointed 17 September 2020

No

None



**Billy McCarter**  
Chief Financial Officer

Formerly Group Financial Controller, Billy was promoted to CFO and joined the Board in May 2023.

A qualified accountant with 16 years' experience in finance roles, Billy's career has spanned a number of senior roles over the last 10 years, across various sized businesses - SME to multinational.

His understanding of whisky and the spirits industry is strong having spent 8 years within Diageo, leading the financial areas of the whisky business as well as a number of global projects, working with a number of markets and senior leaders to drive performance and productivity opportunities.

Appointed 17 May 2023

No

None



**Lesley Jackson**  
Non-Executive Director

Lesley is a Chartered Accountant, having qualified with KPMG. She was the Group Chief Financial Officer for Stock Spirits plc from 2011 to 2017, prior to which she held similar positions at William Grant & Sons, and at United Breweries (an Indian listed public company).

Lesley has served as a non-executive director of Trackwise Designs plc (where she also chaired both the Audit and Remuneration Committees), and Devro plc (where she was the senior independent director and chair of the Audit Committee).

Lesley has extensive finance and business experience from her roles in international manufacturing businesses.

**Helen Page**  
Non-Executive Director

Appointed to the Board of Bank of Ireland (UK) plc in February 2024, Helen is a member of the Remuneration, Nomination and Risk Committees and designated NED for Customer and Consumer Duty.

She is also a Board Trustee of both Scotland's Charity Air Ambulance and The Scottish Society for the Prevention of Cruelty to Animals.

Helen's plc executive career was predominately spent in financial services and retail, most notably as a member of the UK Executive Board of RBS Group for 7 years where she held the position of Managing Director for Marketing and Innovation and CYBG/Virgin Money for almost 10 years where she became Chief Brand Officer. During her tenure she held senior executive responsibility for a number of functions, including Marketing, Brand strategy, Product Management, Innovation, Complaints, ESG and Corporate communications. Helen was also Head of Marketing for Argos and held a number of roles at Abbey (now Santander) including Head of Communications.

**Mark Bedingham**  
Non-Executive Director

Mark spent 20 years as the Regional Managing Director of Moët Hennessy Asia-Pacific, spearheading the Asia-Pacific growth of Moët Hennessy's portfolio of luxury wines and spirits, including Veuve Clicquot, Moët et Chandon, Hennessy, Dom Pérignon, Krug and Glenmorangie, turning the region into the largest contributor to the Moët Hennessy Group's global turnover and profit. During this time, he also spent seven years as a non-executive director of the DFS Group. Part of the LVMH Group, DFS is a major travel retail company with a network of duty-free stores in major airports, as well as multibrand Galleria stores in key locations in Asia Pacific.

From 1997 to 2002, Mark was a director of Jardine Pacific, a subsidiary of Jardine Matheson.

More recently Mark is the vice chair and part of the founder investor group in Aspirational Consumer Lifestyle Corporation, a SPAC, which is listed on the NYSE and completed a business combination with Wheels Up, the leading private aviation company in the USA. He has also been, until recently, Chairman of two hospitality and restaurant companies: CELAVI, based in Singapore with operations in Dubai, Tokyo and Taipei and Crystal Jade with over 60 outlets in Asia.

**Gavin Hewitt CMG**  
Non-Executive Director

Gavin was the Chief Executive of The Scotch Whisky Association from October 2003 to December 2013. In November 2011 he was elected as president of spirits EUROPE (previously The European Spirits Organisation - CEPS) and held this role in conjunction with his position at The Scotch Whisky Association.

Gavin was the non-executive chair of Bladnoch Distillery Limited (2015 to 2017) and rejoined the Bladnoch board in 2024.

Before working in the alcohol industry, Gavin served in the British Diplomatic Service (1970-2003) and between 1994 and 2003 was successively the British Ambassador to Croatia, Finland and Belgium acquiring considerable expertise in international and EU trade matters and a close connection with many large UK companies operating overseas. He is a Companion of the Order of St Michael and St George (CMG), a Master of the Quaich and a Liveryman of the Worshipful Company of Distillers.

**Term of Office**

Appointed 2 June 2021

Appointed 2 June 2021

Appointed 1 September 2015

Appointed 27 March 2015

**Independent**

Yes

Yes

No

Yes

**External Appointments**

Lesley is a non-executive director of Aberforth Split Level Income Trust plc.

Helen is a non-executive director of Bank of Ireland (UK) plc and a member of its Risk, Nominations and Remuneration Committees, is a member of the Board of Trustees of Scotland's Charity Air Ambulance since July 2022, and since September 2022 is a member of the Board of trustees and Chair of Fundraising and Brand Committee of the Scottish SPCA.

Mark is the non-executive director of Force Management Co. Ltd, a company with sustainable development goals on food related, hospitality, entertainment and tech, headquarters in Japan. Mark is the President and CEO of SMI, a company listed on the Singapore Stock Exchange. He is also on the Advisory Board of Union, a POS and mobile/ ordering/ payment system based in the USA.

Gavin is the non-executive director of Bladnoch Distillery Limited. Gavin is also Chairman of the Friends' Committee of Abbotsford, Melrose and runs his own whisky consultancy business.

**Committee Membership**

Chair Audit Committee  
Remuneration Committee

Chair Remuneration Committee  
Audit Committee

Audit Committee

Nomination and Governance Committee  
Remuneration Committee

## Chair's Introduction to Governance

# GOVERNANCE TO ENSURE OUR LONG TERM SUCCESS

I'm pleased to present the Corporate Governance Report for the year ended 31 December 2023. This section of the Annual Report sets out the governance structure we follow and is intended to provide our stakeholders with a clear understanding of how the Board and its Committees operate, including how our corporate governance structures and processes have been put into practice. Given the Company's size and the constitution of the Board, we have opted to comply with the recommendations set out in the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'). The QCA Code sets out a standard of minimum best practice for small and mid-sized quoted companies, particularly AIM companies.



The role of the Board is to promote the long-term success of the Company, ensuring that appropriate corporate governance principles are in place. We have worked and will continue to work to develop and embed the right processes, cultures and practices as an integral part of the operations of the Company. My role as Chair of the Artisanal Spirits Company is to ensure that the Board is performing its role effectively, overseeing its function and direction, and having ultimate responsibility for implementing the Company's corporate governance arrangements.

The Board and I fully recognise the value of a robust corporate governance framework and diverse opinion in the successful delivery and preservation of our future objectives and strategy, and in our accountability to all our stakeholders. We are fully cognisant of our responsibility to ensure the highest standards of corporate governance across all divisions of the business. Our goal is to instil a progressive, innovative and respectful culture.

Effective governance has allowed us to continue to ensure sound strategic planning and to make critical business decisions which promote progress against the Group's strategic growth objectives.

The Board regularly meets to ensure that our corporate plans and goals are working well in practice, ultimately creating an effective and conducive environment to support the business' growth. Details on how frequently the Board and its Committees meet can be found on page 44.

The Board would like to thank all shareholders and colleagues for their continued support over what has been a difficult period in the market, and we look forward to continuing our success. We wish you a safe and healthy 2024.

A handwritten signature in black ink that reads "Mark Hunter". The signature is written in a cursive, flowing style.

**Mark Hunter**  
Chair

## Corporate Governance Report

### Division of responsibilities

The Group operates within the following governance framework.

#### The Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success in accordance with our purpose, culture and values. The Board is responsible for the overall management of the Group, including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. The Board sets a strong governance tone from the top based on our core values centered around our five strategic pillars. While the Board may delegate specific responsibilities, there is a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters include approval of significant capital expenditure, material business contracts and major corporate transactions. The Board meets regularly to review performance.

In January 2023 David Ridley stood down as Managing Director, and Andrew Dane (previously Finance Director) was appointed as Chief Executive Officer. Billy McCarter was appointed to the Board of Directors as Chief Financial Officer on 17 May 2023.

The Board reviews reports from the Chief Executive Officer, the Chief Financial Officer and from members of the Executive and Leadership team on progress against approved strategies and the annual business plan. There are regular presentations from other key members of the Leadership team on each of the main areas of the Group's operations.

#### The Chair

The Chair:

- Leads the Board and ensures it operates in accordance with its corporate governance framework and with all relevant rules and regulations.
- Promotes high standards of corporate governance.
- Sets the agenda for the meetings of the Board.
- Ensures the Board members receive accurate, timely and quality information.
- Encourages open debate and constructive challenge from other members of the Board.
- Leads the performance assessment in respect of other Board members.
- Speaks on behalf of the Board to shareholders and other stakeholders.

#### Chief Executive Officer

The Chief Executive Officer is responsible for:

- Developing the strategic plans of the Group for presentation and agreement by the Board.
- Making and implementing operational decisions in respect of the Group's activities.
- Leading the Executive and Leadership teams in the day-to-day running of the Group's operations.
- Reporting to the Board with timely and accurate information.
- Together with the Chair, representing the Group to external stakeholders, including shareholders, customers, suppliers, regulatory bodies and the local and wider community.

### Non-Executive Directors

The role of Non-Executive Directors is to:

- Participate in the Board's decision making.
- Advise and support the Executive team in the execution of the Group's strategy.
- Provide appropriate constructive challenge and oversight to management activities.

The Board has established an Audit Committee, Nomination and Governance Committee and a Remuneration Committee. The activities and responsibilities of the Committees are detailed below.

#### The Audit Committee

The Audit Committee is chaired by Lesley Jackson. Its other members are Helen Page, Paul Skipworth and Mark Bedingham. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group and undertakes regular review of the principal risks facing the Group. The Audit Committee meets at least three times a year and has unrestricted access to the Group's auditors. It met five times in 2023.

#### The Nomination and Governance Committee

The Nomination and Governance Committee is chaired by Mark Hunter. Its other members are Gavin Hewitt and Paul Skipworth. The Nomination and Governance Committee identifies and nominates candidates to fill Board vacancies, as and when they arise, for the approval of the Board. The Nomination and Governance Committee also has delegated responsibility for establishing and promoting the Group's Environmental, Social and Governance (ESG) framework, which is then approved by the full Board. The Nomination and Governance Committee meets at least once a year. It met two times in 2023.

#### The Remuneration Committee

The Remuneration Committee is chaired by Helen Page. Its other members are Gavin Hewitt and Lesley Jackson. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Group are set by the Board. Throughout the year the Remuneration Committee has received advice on matters relating to Executive, Senior Management and Board remuneration, the Group's share schemes and the Group's remuneration policy. The Remuneration Committee meets as and when necessary, but at least twice each year. It met four times in 2023.

## Corporate Governance Report continued

### The Executive and the Leadership team

The Company's Executive Directors at the beginning of 2023 were David Ridley (Executive Managing Director) and Andrew Dane (Executive Finance Director), who both sat on the Board of Directors. In January 2023 David Ridley stood down as Managing Director, and Andrew Dane was appointed as Chief Executive Officer. In May 2023 Billy McCarter (previously Group Finance Controller and interim Finance Director) was appointed to the Board of Directors as Chief Financial Officer. The Group's Executive team consists of The Executive Directors plus Kai Ivalo (Director, Spirits), Anne Phillips (Marketing and Experience Director) and Douglas Aitken (the Company Secretary and Legal Counsel).

The Executive team is responsible for assisting the Board of Directors in developing and executing the Group's strategy and in directing the day-to-day activities of the Group. In doing this they are assisted by the Leadership team which is made up of other senior managers across the Group.

### Board and Committee meetings and meeting attendance

The Board and its Committees meet regularly, operating to an agreed timetable of formal meetings and informal Board update calls. The Board met formally eight times in 2023 (five full Board meetings and three Board Committee meetings) and held five informal update calls. Meetings are usually held in Edinburgh and may also take place by video conference. Directors who are based overseas will normally join the meeting virtually, although all Directors aim to meet in person at least once a year where circumstances permit this.

The Chair and the Non-Executive Directors also met during the year, formally at each Board meeting, and informally without the Executive Directors present and where matters including executive performance and succession and Board effectiveness were discussed.

Directors are expected to attend all meetings of the Board and the Committees they serve on, and to devote enough time to perform their duties. Board and Committee papers are distributed in advance of meetings other than, by exception, urgent papers which can be tabled at the meeting. If Directors are not able to attend a meeting because of conflicts in their schedules, they receive all the relevant papers and have the opportunity to submit their comments in advance to the Chair or to the Company Secretary. If necessary, they can follow up with the Chair of the relevant meeting.

The Chair is not a member of the Audit or Remuneration Committees. The Chair may attend meetings of all Committees, by invitation, in order to keep abreast of their discussions. All Directors are invited to attend all Committee meetings.

The table below reflects the composition of the Board and Board Committees during 2023 and records the number of meetings and members' attendance.

Committee members	Board	Audit Committee	Remuneration Committee	Nomination and Governance Committee
Mark Hunter	5/5			2/2
Paul Skipworth	5/5	5/5		2/2
David Ridley	5/5			
Andrew Dane	5/5			
Mark Bedingham	5/5	5/5		
Gavin Hewitt	5/5		4/4	2/2
Lesley Jackson	5/5	5/5	4/4	
Helen Page	5/5	5/5	4/4	
Billy McCarter	3/3			

### Board development

When new Directors join the Board, an induction programme takes place, which is tailored to their existing knowledge and experience. New Board members are also introduced to members of the Executive and Leadership Teams, other key employees and, as appropriate, external advisers. The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's other professional advisers, where appropriate.

Executive Directors are included within the Group's performance review process, through which their performance against pre-determined objectives is reviewed annually. This process also considers their personal and professional development needs. Non-Executive Directors are encouraged to raise any personal development or training needs with the Chair and Company Secretary or through the Board effectiveness and evaluation process.

### Board effectiveness and evaluation

The Board undertakes an effectiveness review each year which helps establish how effectively the Board and Committees are operating and how individual Board members have contributed to that performance. This is conducted through individual self-assessment and peer review, overseen by the Chair and the Chair of each Committee. Additional details on the evaluation of the Board's performance can be found in the Corporate Governance Statement. The Nomination and Governance Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary on an ongoing basis.

### Information and support

The Chair, aided by the Company Secretary, is responsible for ensuring the Board members receive accurate, timely and quality information. Board and Committee papers are distributed in advance of meetings other than, by exception, urgent papers which can be tabled at the meeting. The Company Secretary leads this process and ensures that any suggested improvements or feedback on Board papers are supplied to Management. The Board and its Committees can receive advice from external advisers as required throughout the year, at the Company's expense, and have access to the Company Secretary, the Nominated Adviser, the auditors, external legal counsel and other professionals as needed.

Throughout 2023 the Board took material advice from the Nominated Adviser and Broker Liberum, and its financial public relations advisers Instinctif PR in relation to the announcement of the Group's interim and full-year financial results.

### Time commitment

Each member of the Board is required to dedicate sufficient time to discharge their responsibilities. The Board is satisfied that the Chair and each of the Non-Executive Directors are able to devote sufficient time to the Group's business.

### QCA Corporate Governance Code

The Company has elected to adopt the QCA Corporate Governance Code (the Code). The Code consists of ten general principles. These are broadly split into the categories of: Delivering Growth, Maintaining a Dynamic Management Framework, and Building Trust. The Board, assisted by the Audit Committee, has assessed the Group's compliance with the Code, and has determined that throughout the year since the adoption of the Code on admission to AIM the Group has complied with the Code's requirements.

### Annual General Meeting

The Annual General Meeting of the Company will take place on 22 May 2024. In accordance with the Code, one-third of Directors will resign and will be submitted for re-election at this, and at each subsequent Annual General Meeting.



**Mark Hunter**  
Chair

## Audit Committee Report

I am pleased to present the report of the Audit Committee, which is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies and advising on the appointment of external auditors as well as the effectiveness of their audit.



Committee members	Meetings attended
Lesley Jackson – Chair	5/5
Helen Page	5/5
Paul Skipworth	5/5
Mark Bedingham	5/5

### Members of the Audit Committee

Lesley Jackson became Audit Committee Chair upon the IPO in June 2021. Two members of the Committee, including the Committee Chair, are independent Non-Executive Directors. The Chief Executive Officer and the Chief Financial Officer routinely attend the Audit Committee meetings by invitation, but other members of the Executive and Leadership Teams may also be invited to attend meetings as required. Other Board Directors are welcome to attend Audit Committee meetings. The Non-Executive Directors are provided an opportunity at the Audit Committee meetings to discuss matters with the auditor without the presence of the Executive Directors. The Company Secretary acts as secretary to the Committee. The Board is satisfied that the Chair of the Committee, who is a chartered accountant, has recent and relevant financial experience.

The Committee meets at least three times a year and more frequently if required and has unrestricted access to the Group's auditor.

### Duties

The main duties of the Audit Committee are set out in its terms of reference, which are available on the Group's website ([www.artisanal-spirits.com](http://www.artisanal-spirits.com)). The work carried out by the Audit Committee during FY23 comprised the following:

- Review of the Company's statutory auditors.
- Reviewing the Committee terms of reference.
- Approving the 2023 full year audit fee and annual audit plan.
- Agreeing the approach to half year and full year results announcements.
- Ongoing review and monitoring of agreed actions in relation to the Auditor's management letter.
- Review of the risk management process, control framework and risk register.

- Review of the Group insurance arrangements.
- Approving the QCA Corporate Governance Code Compliance Assurance Framework.

### Statutory auditors

Mazars LLP were appointed as the Company's statutory auditor in May 2022 and re-appointed at the AGM in May 2023. The lead partner is Jenny Birch.

The Committee is responsible for reviewing the effectiveness of the auditors. The following processes are used for this purpose:

- The Committee received a detailed audit plan from the statutory auditors at the beginning of the annual audit process which included an outline of the proposed scope of the audit, and identification of key audit risks and areas of focus. This was discussed and agreed with the Committee.
- The Committee challenged the work done by the statutory auditors to test Management's assumptions and estimates in relation to the significant issues.
- At the completion of the statutory audit, the Committee received feedback from the Chief Financial Officer and the Finance Team on how effectively issues were addressed at the statutory audit clearance meetings.

Based on the above processes and feedback, and its own ongoing assessment of the statutory auditors' performance, the Committee was satisfied with the independence, objectivity and overall effectiveness of the statutory auditors with regard to the 2023 audit process.



### Internal controls and environment

The Executive and Leadership teams continued to embed and enhance the internal control framework of the Group, building on the significant work undertaken prior to the IPO in June 2021. Recruitment and enhancement of the Finance function has assisted this process, and progress on required actions to remediate risks, as well as items highlighted by the auditors during the year end audit management letter are monitored at each meeting of the Audit Committee.

### Internal audit

At present the Group does not have an internal audit function and the Committee believes that Management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one. The Committee conducts rigorous reviews of monthly results and Key Performance Indicators. It also focuses on potential key risks and in the past year has paid particular attention to risks concerning cyber security and IT infrastructure, while also conducting reviews of each of the Group's principal risks over the year under a rolling review schedule.

To further support the delivery of the Company strategy, in addition to managing IT and cyber risk, additional investment has been made in resources and IT infrastructure during the course of 2023. This investment is assisting risk mitigation in this strategically important area.

### Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. During the year, there was a single, non financial, incident raised as a whistleblowing matter for consideration. The Company's disciplinary process was followed and remedial action taken, and a full report provided to the Audit Committee.

### Fair, balanced and understandable reporting

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. Each Director was also asked to provide this confirmation.

### Other significant matters

The Audit Committee has also reviewed whether other areas of material judgement or subjective decisions have been appropriately addressed in the Annual Report & Accounts. Specific areas considered include Inventory, Going Concern, valuation of investments and non-recurring costs. The Audit Committee was comfortable with the approach taken with respect to these matters.

On behalf of the Board

**Lesley Jackson**

Audit Committee Chair

27 March 2024

## Nomination and Governance Committee Report

On behalf of the Board, I am pleased to present the Nomination and Governance Committee report of the Company for the year ended 31 December 2023. The Nomination and Governance Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes. The Nomination and Governance Committee also has delegated responsibility for establishing and promoting the Group's ESG framework, which is then approved by the full Board.



Committee members	Meetings attended
Mark Hunter – Chair	2/2
Paul Skipworth	2/2
Gavin Hewitt	2/2

### Members of the Nomination and Governance Committee

During the year, the Committee consisted of myself (Mark Hunter), Gavin Hewitt and Paul Skipworth. All but Paul Skipworth are fully independent.

### Duties

The Committee's principal duties are to:

- monitor the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- give full consideration to succession planning for Directors and other senior executives in the course of its work, and the skills and expertise needed on the Executive and Leadership Teams in the future.
- keep under review the leadership needs of the organisation, both Executive and Non-Executive.
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- establishing and promoting the Group's ESG framework for approval by the full Board.

### Committee attendance

The Nomination and Governance Committee met formally twice during 2023 with all members present.

### Succession planning

The Committee conducted a review of succession plans during the year and supported the CEO as a number of changes took place within the Executive team. Ensuring that there are robust succession plans in place at Board and Senior Management level is fundamental to the long-term prospects of the business. Succession plans for the Board and senior executives were reviewed and, where appropriate, adjusted during the year.

### Board composition

The skills required, experience and background of all of the Board were considered as part of the Board review process, and this has been further considered as part of the Board's effectiveness review which took place in Q4 2023. Following the resignation of David Ridley as Managing Director and the appointment of Andrew Dane as Chief Executive Officer in January 2023, Billy McCarter (previously Interim Finance Director) was appointed to the Board of Directors as Chief Financial Officer in May 2023 after making a success of the interim role and a thorough selection process.

### Nomination and Governance Committee in 2024

The Committee is scheduled to meet at least twice in 2024. The Committee will continue to review the balance of skills and diversity of the Board and promote and suggest amendments to the Group's ESG framework.

On behalf of the Board

#### Mark Hunter

Nomination and Governance Committee Chair  
27 March 2024

## Remuneration Committee Report

This Remuneration Report summarises the remuneration paid to the Directors for the year ended 31 December 2023. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. The Company is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated. The report also reviews the role and activities of the Remuneration Committee in 2023.



Committee members	Meetings attended
Helen Page – Chair	4/4
Gavin Hewitt	4/4
Lesley Jackson	4/4

The Remuneration Committee was formally established by the Board, and I was appointed its Chair in June 2021. Gavin Hewitt and Lesley Jackson are the other members of the Committee. All Committee members are deemed independent by the Board. The Remuneration Committee meets at least twice each year.

The Committee operates under terms of reference approved by the Board and is responsible for reviewing the performance of the Executive Directors and other designated senior executives and determining their remuneration packages. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board.

### The Company's approach to Remuneration

The Company has adopted a remuneration policy which is designed to encourage the recruitment of high quality applicants, retain existing talent, incentivise the Senior Management and the rest of the workforce to deliver against the Company's strategic goals and share in the company's success. Wherever possible the Group seeks to develop and promote within its existing workforce and the Company makes use of share options and other long-term incentives to motivate staff and ensure their interests are aligned with shareholders.

### Duties

The key objectives of the Remuneration Committee are:

- to develop remuneration packages which motivate the Executive Directors and senior executives and support the delivery of business objectives in the short, medium and long term.
- to align the interests of the Executive Directors with the interests of long-term shareholders.
- to encourage senior executives to operate within the risk parameters set by the Board.
- to ensure the Company can recruit and retain high quality executives through packages which are fair and attractive, but not excessive.

It is the Remuneration Committee's intention that remuneration should reward achievement of objectives aligned with shareholders' interests over the medium to long term. Executive Director and senior executive remuneration consist of the following elements: basic salary, benefits, pension contribution, performance-related annual bonus, Long-Term Incentive Plan (LTIP).

The Executive Directors each have a service agreement containing six months' notice. The Non-Executive Directors each have letters of appointment with a three-month notice period.

### Remuneration in 2023

Throughout 2023, the salaries of the Chief Executive Officer and the Chief Financial Officer were set at £170,000 and £125,000 respectively. Executive Directors participated in the Group pension scheme on the same terms as are available to the rest of the workforce with a Group contribution of 7% of salary. In addition, Executive Director benefits comprised free SMWS membership and £500 product allocation in line with the benefit available for other staff within the Company.

The Executive Directors were eligible to be considered for an annual discretionary bonus of up to 30% of their basic annual salary, as determined by the Remuneration Committee with discretion to increase this up to 50% in the event of substantial out-performance of objectives.

In the light of performance in 2023 where the Company did not meet its profit target, neither the Chief Executive Officer nor the Chief Financial Officer will receive a bonus.

## Remuneration Committee Report continued

### Summary of 2023 remuneration

	Salary	Compensation for loss of office	Bonus	Pension	Total
David Ridley	-	£170,192	-	£4,767	£174,959
Andrew Dane	£167,793	-	-	£11,026	£178,819
Billy McCarter	£82,718	-	-	£5,318	£88,036
Mark Hunter	£78,750	-	-	-	£78,750
Paul Skipworth	£44,625	-	-	£707	£45,332
Helen Page	£44,625	-	-	£2,235	£46,860
Lesley Jackson	£44,625	-	-	£632	£45,257
Mark Bedingham	£31,500	-	-	-	£31,500
Gavin Hewitt	£31,500	-	-	-	£31,500

The table above shows the value of actual salary received relating to 2023.

The bonus shown is the value of the bonus to be paid in relation to the 2023 financial year. During 2023, the following bonuses were paid in relation to the 2022 financial year: David Ridley £8,651, Andrew Dane £28,366 and Billy McCarter £14,780.

Non-Executive Director fees were set at £78,750 per annum for Mark Hunter, Chair, £44,625 per annum for Paul Skipworth, Deputy Chair, and for Lesley Jackson and Helen Page, who chair the Audit and Remuneration Committees respectively, and £31,500 per annum for the other Non-Executive Directors.

### Directors' interests - Interests in share options (audited)

Details of options held by Directors who were in office at 31 December 2023 are set out below. 783,000 options were exercised by Directors during the year (2022: nil). Details of the Group's option schemes are set out in Note 26 to the Financial Statements.

The closing market price of the Group's shares at 31 December 2023 was 49 pence. The range of daily closing market prices during the period of the financial year end was 48.5 pence to 102.5 pence.

### Options granted before IPO

	Date of grant	Number of options at 31 December 2022	Exercised	Number of options at 31 December 2023	Exercise price	Earliest exercise date
Paul Skipworth*	27 March 2016	326,000	-	326,000	30p	27 March 2021
Paul Skipworth*	16 April 2018	148,000	-	148,000	39.75p	16 April 2022
David Ridley	27 February 2017	527,000	527,000	-	30p	27 Feb 2022
David Ridley	22 March 2018	256,000	256,000	-	39.75p	22 March 2023
David Ridley	12 June 2019	400,000	-	400,000	39.75p	12 June 2024
David Ridley	3 September 2020	236,000	-	236,000	39.75p	3 September 2025
Andrew Dane	24 February 2020	212,700	-	212,700	0.25p	4 August 2025

\* Paul Skipworth was awarded these share options when he was engaged as an Executive Director of the Company in 2016 and 2018, prior to IPO.

Options granted before IPO can normally only be exercised from the fifth anniversary of grant. Options granted before IPO vest as to one-third on grant and one-third on the first two anniversaries of grant.

### Options granted on IPO

	Date of grant	Number of options at 31 December 2022	Options Lapsed	Number of options at 31 December 2023	Exercise price	Earliest exercise date
David Ridley	4 June 2021	200,000	100,000	100,000	0.25p	4 June 2024
Andrew Dane	4 June 2021	319,050	-	319,050	0.25p	4 June 2024
Andrew Dane	4 June 2021	319,050	-	319,050	0.25p	4 June 2025

Options granted on IPO are subject to three- and four-year performance conditions weighted 33% on absolute share price performance, 33% on revenue and 33% on EBITDA. They are subject to malus and clawback provisions.

### Directors' interests – Interests in shares (audited)

The interests of Directors who were serving as at 31 December 2023 and their immediate families and any persons connected with them (within the meaning of section 252 of the Act) in the Ordinary Shares of the Company are set out below:

	Holding balance at 31 December 2023	% of share capital at 31 December 2023
Mark Bedingham*	2,501,476	3.55%
Mark Hunter	1,323,013	1.875%
Paul Skipworth	803,884	1.14%
Gavin Hewitt	92,359	0.13%
Andrew Dane	65,208	0.09%
Lesley Jackson	64,560	0.09%
Helen Page	53,693	0.08%

\* Mark Bedingham's holdings are held through Birdwing Investments Limited.

### Remuneration in 2024

The Chief Executive Officer and Chief Financial Officer's salaries were increased by 3% on 1 January 2024 to £175,100 and £128,750 respectively, in line with the Company-wide wage increase. The Company pension contribution remained at 7% of salary, in line with arrangements for the wider workforce.

Annual bonus in 2024 will operate in a similar way to 2023. The Chief Executive Officer and Chief Financial Officer will be eligible to be considered for an annual discretionary bonus of up to a normal maximum amount of 30% of basic salary, with the Remuneration Committee having the ability to pay amounts above this limit, up to a maximum total of 50% of salary, in the event of substantial outperformance of objectives. The performance targets will be reflective of the delivery of objectives across the business and subject to an overall profit target underpin.

The Company intends to make share incentive awards to the Executive Directors and other staff across the Group during 2024 to support incentivisation, Group objectives and employee retention.

The Chair and Non-Executive Director remuneration for 2024 will remain at 2023 levels, subject to a mid-year review as we assess business performance against expectations.

### Shareholder engagement

The Group welcomes shareholder feedback on its Directors' remuneration arrangements. A resolution to approve this Remuneration Report will be put to an advisory resolution at our 2024 AGM. Our engagement with wider stakeholders is set out on page 25.

On behalf of the Board

**Helen Page**

Remuneration Committee Chair

27 March 2024

## Directors' Report

As required under the Companies Act 2006, the Directors present their report together with the audited financial statements for the year ended 31 December 2023. The Directors' report, along with the information from the Chair's statement on page 6, and the Statement of Directors responsibilities on page 54 constitutes the Directors Report in accordance with the Companies Act 2006.

### Dividends

The Directors do not wish to recommend any payment of dividend for the financial year 2023 (2022: nil).

### Directors

The Directors of the Group during the period and to the date of this report are as follows: Mark Hunter, Paul Skipworth, Andrew Dane, Mark Bedingham, Gavin Hewitt, Lesley Jackson, Helen Page and Billy McCarter. David Ridley ceased to be a Director of the Company on 24 January 2023. Billy McCarter was appointed to the Board of Directors on 17 May 2023.

The names of the Directors, along with their brief biographical details, are given on pages 40-41.

### Directors' interests

The Directors' interests in the Group's shares and options over Ordinary Shares are shown in the Remuneration Report on pages 49-51.

### Directors' and Officers' liability insurance

The Group purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

### Political donations

The Group made no political donations in the financial period.

### Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their Report) of which the Group's auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Future Developments

Trading performance is discussed in the CFO's report on pages 26-29 and the Group's future developments and strategic direction is discussed on page 11.

### Financial instruments

The financial risk management objectives of the Group, including credit risk, interest rate risk and currency risk, are provided in Note 23 to the Financial Statements.

### Subsidiaries

The Group has 12 subsidiaries; a complete list is provided at Note 14 to the Financial Statements.

### Share capital structure

At 31 December 2023, the Group's issued share capital was £176,399.44 divided into 70,559,774 Ordinary Shares of 0.25p each.

Further details of the Group's issued share capital are given in Note 24 to the Financial Statements.

The Group's Ordinary Shares rank pari passu in all respects with each other, including for voting purposes and for all dividends. Each share carries the right to one vote at general meetings of the Group. Further information on the voting and other rights of shareholders, including deadlines for exercising voting rights, are set out in the Group's Articles of Association, which are available on the Group's website ([www.artisanal-spirits.com](http://www.artisanal-spirits.com)).

### Restriction on shares

The Group's Ordinary Shares are freely transferable and there are no restrictions on the size of a holding. Transfers of shares are governed by the provisions of the Articles of Association and prevailing legislation. The Ordinary Shares are not redeemable; however, the Group may purchase any of the Ordinary Shares, subject to prevailing legislation and the requirements of the Listing Rules. No shareholder holds securities carrying any special rights or control over the Group.

### Significant shareholders

As of 31 December 2023, the Group is aware of the following holdings of significant shareholders in the Group (as defined in the AIM Rules).

Name	No. of shares	% of issued share capital
Inverleith (ASC) Limited	12,177,764	17.26%
BGF Investment Management Ltd	6,250,000	8.86%
Mehdi Shalfrooshan	6,220,000	8.82%
Benjamin Thomson	5,675,976	8.04%
Canaccord Genuity Wealth Limited	5,250,000	7.44%
John Dunsmore	3,239,384	4.59%
Birdwing Investments Limited	2,501,476	3.55%

Insofar as it is aware, as at 31 December 2023 the percentage of the Group's Ordinary Shares that were not in public hands was 27.27%.

### Share option schemes

Details of employee share schemes are set out in Note 26 to the Financial Statements.

### Appointment and retirement of Directors

The Board may from time to time appoint one or more additional Directors so long as the total number of Directors does not exceed the limit prescribed in the Articles of Association (12).

### Going concern

The Directors are, at the time of approving the financial statements, satisfied that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group meets its day-to-day working capital requirements. The revolving credit facility (RCF) was renewed in December 2023 and is not due for renewal until December 2025. The revolving credit facility has quarterly leverage and covenants relating to minimum stock holding level as a percent of the facility drawn down, the 'springing test', which requires 135% of eligible inventory holding against the RCF balance, reviewed monthly. Secondary covenants of EBITDA and Net Assets (excluding Intangibles) exist if the springing test is not met.

Complementary to the revolving credit facility is a new facility arrangement agreed in October 2023 with Ferovinum Ltd. The facility availability of £15 million is in the form of an asset backed loan against the cask spirit held by SMWS.

The Group remained compliant with its banking covenants throughout the year to 31 December 2023.

In the context of the above, the directors have prepared cash flow forecasts for the period to 30 June 2025 which indicate that, taking account of reasonably plausible downside scenarios, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors have assessed the potential of further geo-political impacts globally and have modelled scenarios as follows:

1. A base cash flow forecast. The 2024 figures in this forecast are based on the Group's 2024 budget, which is based on Board approved forecasts reflecting current performance, expected revenue growth mirroring trends in previous years and assuming current levels of membership retention. The 2024 figures in the base cash flow forecast are taken from the Group's 3-5 year long range planning. Cost inflation has been considered and additional costs have been included to account for increased wage inflation.
2. A severe, but plausible downside scenario. The Directors have also prepared a sensitised forecast which considers the impact of certain severe but plausible downside events, when compared to the base case. This scenario considers ongoing geopolitical volatility, the base case outlook and severe but plausible downside scenarios for increased global tensions and the effect that will have on sales and wider operations.

In this scenario, capital expenditure has been reduced to run-rate expenditure. This scenario demonstrates that the Group would remain within its facility limits and in compliance with the relevant covenants.

The Directors are mindful of the potential impacts to macro-economic conditions and further risk of disruption to supply chains that the conflict in Ukraine presents, but after assessing the risks do not believe there to be a material risk to going concern.

Based on the above, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

## Directors' Statement

The Directors believe that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated.

The Directors' Report for the year ended 31 December 2023 comprises these pages and other relevant sections of the Annual Report which are incorporated into the Directors' Report by reference. In addition, certain disclosures required to be contained in the Directors' Report have been incorporated into the 'Strategic Report' as set out above.

## Annual General Meeting

The Annual General Meeting will be held on 22 May 2024.

The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2023, the re-election of Directors, the re-appointment of the Company's Auditor and authorisation of the Directors to determine the Auditor's remuneration.

## Approval

This Directors' Report was approved by the Board and was signed on its behalf on 27 March 2024.



**Andrew Dane**  
Chief Executive Officer

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period, and have concluded the accounts do give a true and fair view of the Company. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.







## Independent Auditor's Report to the Members of The Artisanal Spirits Company plc

### Opinion

We have audited the financial statements included within the Annual Report of The Artisanal Spirits Company plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), 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 December 2023 and of the Group's loss for the year then ended;
- the Group's 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 United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- 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 the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME 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.

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 and the 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 audit procedures to evaluate the Directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the Directors' going concern assessment;
- Challenging the appropriateness of the Directors' key assumptions in their cash flow forecasts, such as future sales growth rates, membership volumes, average spends and overhead costs, as described in Note 2.5, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the Directors' consideration of severe but plausible scenarios;
- Assessing and challenging key assumptions and mitigating actions available to the business should they be required;
- Reviewing accuracy of Management's forecasting against actual results in the period;
- Obtaining all signed agreements for financing facilities, including the new £15m stock-based financing facility, and confirming that the repayment terms, expirations, interest payments and covenants have been appropriately factored into Management's going concern assessment;
- Confirming the mathematical accuracy of any models given to support the assessment and how sensitive the assessment is to changes in underlying assumptions;
- Examining the Directors' forecast covenant calculations to confirm that covenants relating to the revolving credit facility are forecast to be met throughout the going concern period; and
- Reviewing the appropriateness of the Directors' disclosures in the financial statements and considering the consistency of the Directors' forecasts with other areas of the financial statements and our audit.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

#### Inventory Valuation - casked goods (Group)

The Group continues to invest in inventory acquisitions, specifically casked goods, to meet their future growth plans. As at 31 December 2023, the gross value of inventories amounted to £30.6m, as presented in Note 15, which represents the largest asset class on the Group balance sheet.

Casked goods are the key component of inventories with a value at year-end of £25.3m. Due to their nature, casked goods are stored for an extended period of time to mature therefore costs of conversion such as rent and insurance are also allocated to each cask along with the depreciation cost associated to each cask.

The total casked goods of the Group provide the security on which the Group's inventory secured revolving credit facility (RCF) is based. Selected casks also provide security for the Group's new stock-based financing facility.

Bottle stock is another material component of inventories with a value at year-end of £3.1m. There is some estimation involved in the allocation of component costs, such as glass bottles and costs of conversion, which build the value of the finished goods. However, the most significant value of bottled stock relates to the casked goods element.

Given the value of inventories relative to the net assets of the business and relative to materiality we have spent a significant amount of audit effort, including the time of senior members of our audit team, in assessing the appropriateness of the valuation of casked goods.

### How our scope addressed this matter

Our audit procedures included, but were not limited to:

- confirming that Management have accounted for cask inventories in accordance with the Group's accounting policies, ensuring that inventory is valued at the lower of cost or net realisable value (NRV);
- tracing a sample of cask stock purchased in the year to invoice to verify that the casks are recorded at the correct cost;
- agreeing the allocation of the costs associated with maturing the whisky casks such as the Masterton Bond warehouse or storage by 3rd parties to supporting documentation;
- for bottle stock, confirming that the allocation of casked good cost per bottle reconciles back to underlying records; and
- testing the carrying value of casked goods against current average selling price per bottle to ensure that the inventories are stated at the lower of cost and net realizable value. The margins on sale are high and there is a very low risk that the valuation of inventory is held at the lower of cost or net realisable value, or impaired at year-end.

#### Our observations

Based on the testing performed we are satisfied that casked goods valuation is appropriate and we consider to be reasonable under IAS 2. Internal control recommendations made in this area have been communicated to the Audit Committee.

## Independent Auditor's Report to the Members of The Artisanal Spirits Company plc continued

### Valuation of investment in and recoverability of intercompany balances in subsidiaries (parent Company)

The main assets of the Company relate to the investments in subsidiary companies and intercompany receivables from subsidiaries. The parent Company holds an investment in subsidiaries with carrying value as at 31 December 2023 of £16.3m, as presented in Note 14 and intercompany receivables of £10.9m, as presented in Note 16.

The Company considers whether any impairment indicators exist at least annually. Where impairment indicators exist or the carrying value of net assets does not support the carrying value of the investment an impairment review is prepared by Management based on the discounted cash flow forecasts for each relevant subsidiary. Impairment indicators were identified and as such an impairment review was conducted on those investments. Intercompany receivables are assessed for risk of impairment.

The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

We determined that the valuation of investments in subsidiaries and intercompany receivables due from subsidiaries, relative to the overall net assets of the Company together with the degree of estimation uncertainty in relation to the discounted cash flow models, could result in a range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our audit procedures included, but were not limited to:

- assessing Management's impairment indicators evaluation;
- comparing the net assets of subsidiaries to the investment value to determine whether there are signs of impairment;
- where the carrying amount of the investment exceeds the net asset values, comparing the carrying amount with the expected value of the business based on a discounted cash flow model;
- assessing Management's discounted cash flows, challenging key assumptions and inputs thereon;
- engaging with our internal valuations experts to review and challenge the discount rate used in the discounted cash flow model;
- evaluating the historical accuracy of Management's forecasting against actual results in the period; and
- considering the recoverability of intercompany receivables alongside the impairment review for each subsidiary.

### Our observations

Based on the results of audit work performed we consider the methodologies and assumptions used by Management to determine whether there were any indicators of impairment in subsidiaries to be appropriate.

Where indicators were identified the methodologies and assumptions used in determining the recoverable amount under IAS 36 and in assessing whether intercompany balances were recoverable under IFRS 9 are reasonable.

We are satisfied that the carrying values of the Company's investments in its subsidiaries and intercompany receivables are materially correct.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

### Group materiality

	Group	Parent company
Overall materiality	£422,000 (2022: £392,000)	£267,000 (2022: £283,000)
How we determined it	1.8% (2022: 1.8%) of Group revenue	0.9% (2022: 0.9%) of total assets
Rationale for benchmark applied	The Group is loss making and there is a clear focus on continued growth, therefore revenue is deemed the most appropriate measure of the Group's performance.	The parent Company is primarily a holding company with investments in subsidiaries within the Group. Investments make up 78% of total assets (excluding intercompany balances). The entity has no revenues and therefore the users of the financial statements would focus on the value of the investments held.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £317,000 which represents 75% of overall materiality.	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £200,000 which represents 75% of overall materiality.

Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £12,600 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.	We agreed with the Directors that we would report to them misstatements identified during our audit above £8,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.
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As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the parent Company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and the parent Company financial statements. Based on our risk assessment, four of the thirteen reportable components, representing 91.7% of the relevant materiality benchmark (revenue), were subject to full scope audit procedures.

Work was performed by the Group audit team for three of the four components and by component auditors in China for the remaining component. Where we relied on work performed by component auditors, we issued audit instructions including an appropriate allocation of Group materiality relative to the size of the component, directed the component audit team, reviewed component audit files and maintained appropriate oversight throughout the audit. For entities that were not subject to a full scope audit, we performed specified audit procedures and desktop analytical reviews.

Audit work on the three components conducted by the Group audit team for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on individual statutory performance materiality which is lower than the consolidated materiality set out above. The performance materiality set for each component is based on the relative scale and risk of the subsidiary to the Group as a whole and our assessment of the risk of misstatement at subsidiary level. The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for Group audit purposes, was between £42,000 and £367,000, being all below Group financial statement materiality.

At the parent Company level, the Group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

### 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 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 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.

## Independent Auditor's Report to the Members of The Artisanal Spirits Company plc continued

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Group and the parent Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, consumer rights laws and data protection.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of Management and, where appropriate, those charged with governance, as to whether the Group and the parent Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the parent Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the Directors' and Management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the occurrence and cut-off assertions), disclosure of exceptional and non-recurring costs and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and Management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through Management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with Management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the “Key audit matters” section of this report.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### **Use of the audit 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.



**Jennifer Birch**

(Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor  
First Floor  
Two Chamberlain Square  
Birmingham  
B3 3AX  
27 March 2024

## Consolidated Statement of Comprehensive Income

### For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	4	<b>23,500</b>	21,781
Cost of sales		<b>(8,499)</b>	(7,936)
<b>Gross profit</b>		<b>15,001</b>	13,845
Selling and distribution expenses		<b>(6,238)</b>	(5,503)
Administrative expenses		<b>(10,901)</b>	(9,875)
Finance costs	6	<b>(1,516)</b>	(576)
Other income	4	<b>79</b>	37
<b>Loss on ordinary activities before taxation</b>	6	<b>(3,575)</b>	(2,072)
Taxation	8	<b>(158)</b>	359
<b>Loss for the year</b>		<b>(3,733)</b>	(1,713)
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Movements in cash flow hedge reserve		<b>(8)</b>	31
Movements in translation reserve		<b>(64)</b>	(59)
Tax relating to other comprehensive loss		<b>-</b>	-
		<b>(72)</b>	(28)
<b>Total comprehensive loss for the year</b>		<b>(3,805)</b>	(1,741)
<b>Loss for the year attributable to:</b>			
- Owners of parent company		<b>(3,848)</b>	(2,010)
- Non-controlling interest		<b>115</b>	297
		<b>(3,733)</b>	(1,713)
<b>Total comprehensive loss for the year attributable to:</b>			
- Owners of parent company		<b>(3,920)</b>	(2,038)
- Non-controlling interest		<b>115</b>	297
		<b>(3,805)</b>	(1,741)
Basic EPS (pence)	10	<b>(5.5p)</b>	(2.9p)
Diluted EPS (pence)	10	<b>(5.5p)</b>	(2.9p)



## Consolidated Statement of Financial Position

### As at 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Investment property	11	420	405
Property, plant and equipment	12	10,426	10,362
Intangible assets	13	2,389	2,249
		<b>13,235</b>	13,016
<b>Current assets</b>			
Inventories	15	30,564	28,303
Trade and other receivables	16	4,787	3,714
Cash and cash equivalents	17	1,235	2,331
		<b>36,586</b>	34,348
<b>Total assets</b>		<b>49,821</b>	47,364
<b>Current liabilities</b>			
Trade and other payables	19	3,216	3,703
Current tax liabilities		702	405
Financial liabilities	18	272	357
Lease liability	20	384	360
		<b>4,574</b>	4,825
<b>Net current assets</b>		<b>32,012</b>	29,523
<b>Non-current liabilities</b>			
Financial liabilities	18	23,809	16,984
Lease liability	20	2,575	2,959
Deferred tax liabilities	9	-	-
Provisions	21	589	580
<b>Total non-current liabilities</b>		<b>26,973</b>	20,523
<b>Total liabilities</b>		<b>31,547</b>	25,348
<b>Net assets</b>		<b>18,274</b>	22,016
<b>Equity</b>			
Called up share capital	24	176	174
Share premium account	25	15,255	14,997
Translation reserve	28	(140)	(76)
Retained earnings	29	2,789	6,685
Cash flow hedge reserve	27	-	8
<b>Equity attributable to owners of the parent</b>		<b>18,080</b>	21,788
<b>Non-controlling interest</b>		<b>195</b>	228
<b>Net assets</b>		<b>18,275</b>	22,016

Approved by the Board for issue on 27 March 2024 and signed on its behalf by:

#### Billy McCarter

Chief Financial Officer

Company Registration No. SC490305

## Company Statement of Financial Position

### As at 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	3,689	4,319
Intangible assets	13	392	75
Investments	14	16,298	16,111
		<b>20,379</b>	20,505
<b>Current assets</b>			
Trade and other receivables	16	11,236	10,970
Cash and cash equivalents	17	172	13
		<b>11,408</b>	10,983
<b>Total assets</b>		<b>31,787</b>	31,488
<b>Current liabilities</b>			
Trade and other payables	19	3,004	569
Financial liabilities	18	121	-
Lease liability	20	211	211
		<b>3,336</b>	780
<b>Net current assets</b>		<b>8,072</b>	10,203
<b>Non-current liabilities</b>			
Financial liabilities	18	233	55
Lease liability	20	1,617	1,828
<b>Provisions</b>		<b>175</b>	169
<b>Non-current liabilities subtotal</b>		<b>2,025</b>	2,052
<b>Total liabilities</b>		<b>5,361</b>	2,832
<b>Net assets</b>		<b>26,426</b>	28,656
<b>Equity</b>			
Called up share capital		176	174
Share premium account		15,255	14,997
Retained earnings	29	10,995	13,485
<b>Equity attributable to parent company</b>		<b>26,426</b>	28,656

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,442k (2022 - £2,005k).

Approved by the Board for issue on 27 March 2024 and signed on its behalf by:

#### Billy McCarter

Chief Financial Officer

Company Registration No. SC490305

## Consolidated Statement of Changes In Equity

### As at 31 December 2023

£'000	Called up share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Translation reserve	Other reserves	Total controlling interest	Non- controlling interest	Total equity
Balance at 31 December 2021	174	14,938	8,505	(23)	(17)	-	23,577	304	23,881
Issue of share capital	-	59	-	-	-	-	59	-	59
(Loss)/profit for the period	-	-	(2,010)	-	-	-	(2,010)	297	(1,713)
Share-based compensation	-	-	190	-	-	-	190	-	190
Dividend paid	-	-	-	-	-	-	-	(373)	(373)
Other comprehensive gain/(loss)	-	-	-	31	(59)	-	(28)	-	(28)
Balance at 31 December 2022	174	14,997	6,685	8	(76)	-	21,788	228	22,016
Issue of share capital	2	258	-	-	-	-	260	-	260
(Loss)/profit for the period	-	-	(3,848)	-	-	-	(3,848)	115	(3,733)
Share-based compensation	-	-	(48)	-	-	-	(48)	-	(48)
Transactions with non-controlling interest	-	-	-	-	-	-	-	65	65
Dividend payable	-	-	-	-	-	-	-	(213)	(213)
Other comprehensive gain/(loss)	-	-	-	(8)	(64)	-	(72)	-	(72)
<b>Balance at 31 December 2023</b>	<b>176</b>	<b>15,255</b>	<b>2,789</b>	<b>-</b>	<b>(140)</b>	<b>-</b>	<b>18,080</b>	<b>195</b>	<b>18,275</b>

## Company Statement of Changes In Equity

### For the year ended 31 December 2023

£'000	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2021	174	14,938	15,300	30,412
Issue of share capital	-	59	-	59
Share issue direct costs	-	-	-	-
Share-based compensation	-	-	190	190
Loss for the period	-	-	(2,005)	(2,005)
Balance at 31 December 2022	174	14,997	13,485	28,656
Issue of share capital	2	258	-	260
Share-based compensation	-	-	(48)	(48)
Loss for the period	-	-	(2,442)	(2,442)
<b>Balance at 31 December 2023</b>	<b>176</b>	<b>15,255</b>	<b>10,995</b>	<b>26,426</b>

## Consolidated Statement of Cash Flows

### As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Loss for the year after tax		<b>(3,733)</b>	(1,713)
<b>Adjustments for:</b>			
Taxation charged		<b>158</b>	(359)
Finance costs		<b>1,415</b>	494
Interest receivable		<b>(4)</b>	(4)
Movements in provisions	21	<b>9</b>	10
Share-based payments	26	<b>(48)</b>	190
Investment property fair value movement		<b>(15)</b>	(14)
Lease interest		<b>101</b>	82
Depreciation of tangible assets	12	<b>1,568</b>	1,000
Amortisation of intangible assets	13	<b>282</b>	259
<b>Movements in working capital:</b>			
Increase in inventory		<b>(2,261)</b>	(4,496)
Increase in trade and other receivables		<b>(1,073)</b>	(746)
(Decrease)/increase in trade and other creditors		<b>(700)</b>	240
Cash absorbed by operations		<b>(4,301)</b>	(5,057)
Income taxes received/(paid)		<b>139</b>	(75)
Interest paid		<b>(1,379)</b>	(494)
<b>Net cash outflow used in operating activities</b>		<b>(5,541)</b>	(5,626)
<b>Cash flow from investing activities</b>			
Purchase of intangible assets	13	<b>(422)</b>	(88)
Purchase of property, plant and equipment	12	<b>(1,657)</b>	(2,911)
Sale of property, plant and equipment	12	<b>23</b>	-
Sale of non-controlling interest	14	<b>65</b>	-
Acquisition of subsidiary		<b>-</b>	(359)
Interest receivable	4	<b>4</b>	4
<b>Net cash used in investing activities</b>		<b>2,052</b>	(3,354)
<b>Cash flows from financing activities</b>			
Share issue		<b>260</b>	59
Transactions with non-controlling interest	14	<b>65</b>	-
Asset backed lending received	18	<b>2,592</b>	-
Inventory secured RCF facility	18	<b>5,000</b>	10,300
Dividends paid		<b>-</b>	(373)
Loan received	18	<b>1,450</b>	-
Repayment of loan	18	<b>(2,336)</b>	(148)
Repayment of leases	18	<b>(461)</b>	(354)
<b>Net cash from financing activities</b>		<b>6,570</b>	9,484
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,023)</b>	504
Cash and cash equivalents at beginning of year		<b>2,331</b>	2,012
Foreign currency translation		<b>(73)</b>	-
<b>Non-controlling interest movement</b>		<b>-</b>	(185)
<b>Cash and cash equivalents at end of year</b>		<b>1,235</b>	2,331
<b>Relating to:</b>			
Bank balances and short term deposits		<b>1,235</b>	2,331

## Notes to the Financial Statements

### 1 Corporate information

The Artisanal Spirits Company plc ('the Company') was incorporated in Scotland on 3 November 2014, is a public limited company by shares, and is domiciled in the United Kingdom. The Company's registered office is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

The Group consists of the Company and its subsidiaries. The Group sells whisky and associated products and services in the United Kingdom and internationally.

### 2 Accounting policies

#### 2.1 Accounting convention

The Group's consolidated financial statements have been prepared under the historical cost convention, with the exception of investment properties and derivatives recognised at fair value in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006.

The Company's financial statements have been prepared under the historical cost convention and are presented as required by the Act, in accordance with UK-adopted international accounting standards including FRS 101 Reduced Disclosure Framework. The financial statements are prepared on a going concern basis.

The principal accounting policies adopted are set out below; unless otherwise stated these policies have been applied consistently to all periods presented in these Group and Company financial statements. The Company's accounting policies are consistent with those of the Group.

As permitted by FRS 101 the Company has availed of disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurement, capital management, preparation of a cash flow statement, impairment of assets, comparative information and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements. The Company has also taken advantage of exemptions available under section 408 of Companies Act 2006 not to present an Income Statement or a Statement of Comprehensive Income.

The Company's functional and presentational currency is the pound sterling. Monetary amounts in the Financial Statements are rounded to the nearest thousand (£'000). The foreign subsidiaries have different functional currencies – see further detail in Note 2.6.

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issues by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023, being: Definition of Accounting Estimates – Amendment to IAS 8; Disclosure of Accounting Policies – Amendments to ISA 1 and IFRS Practice Statement 2; Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 anticipate that any of the amendments detailed below will have a significant impact on the classification of its liabilities.

IAS 1	Presentation of Financial Statements	Amendments regarding;	
-		> Classification of liabilities	1 January 2024
-		> Non-current liabilities regarding long term debt with covenants	1 January 2024
IAS 7	Statement of Cash Flows and IFRS 7 Financial Instruments	Disclosure amendment regarding supplier finance arrangements	1 January 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates	Amendments regarding the lack of exchangeability	1 January 2025

#### Other

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

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and its subsidiary undertakings (collectively the 'Group' and individually 'Group companies'), made up to 31 December 2023 and 31 December 2022. Intra-Group sales and profits are eliminated fully on consolidation. Consistent accounting policies are applied across the Group.

The subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date on which control commences until the date on which control ceases.

#### 2.3 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred at the acquisition date plus any deferred or contingent consideration. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group recognises the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Where fair value of the aggregate consideration paid is below the fair value of the separately identifiable assets and liabilities at the acquisition date, the balance is recognised as a gain on bargain purchase immediately in the Statement of Comprehensive Income.

Where fair value of the aggregate consideration paid is above the fair value of the net assets acquired, goodwill is recognised in the Statement of Financial Position. It is initially measured as an asset at cost and is subsequently measured at cost less impairment losses. Any contingent consideration is measured at fair value at the date of acquisition.

#### 2.4 Transactions

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated on consolidation.

#### 2.5 Going concern

The Directors are, at the time of approving the financial statements, satisfied that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group meets its day-to-day working capital requirements from a revolving credit facility of £21.5m together with cash balances. The Group has further access to a £15.0m inventory financing facility which can be drawn upon if required. The revolving credit facility was renewed in December 2022 and is not due for renewal until December 2025 whilst the inventory financing facility has an evergreen term. The revolving credit facility has quarterly leverage and covenants relating to minimum stock holding level as a percent of the facility drawn down, the 'springing test', which requires 135% of eligible inventory holding against the RCF balance, reviewed monthly. Secondary covenants of EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and Net Assets (excluding Intangibles) exist if the springing test is not met.

The Group remained compliant with its banking covenants throughout the year to 31 December 2023.

In the context of the above, the Directors have prepared cash flow forecasts for the period to 31 April 2025 which indicate that, taking account of reasonably plausible downside scenarios, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors have assessed the potential future impacts of geopolitical risk and have modelled scenarios as follows:

1. A base cash flow forecast. The 2024 figures in this forecast are based on the Group's 2024 budget, which is compiled using board approved forecasts and reflecting current performance, expected revenue growth and membership retention. The 2025 figures in the base cash flow forecast are taken from the Group's 3-5 year long range planning. This base case assumes a more prudent growth trajectory than in previous years, with organic market growth rate at single digit, supported by full year delivery of strategic initiatives secured. Cost inflation has been considered and additional costs have been included to account for increased wage inflation.
2. A severe, but plausible downside scenario. The Directors have also prepared a sensitised forecast which considers the impact of certain severe but plausible downside events, when compared to the base case. This severe but plausible downside scenario assumes an escalation of geopolitical tensions in Asia with a resultant shut down of Asian operations impacting revenue in excess of £5m per annum, together with an associated reduction in global sales to a level similar to that experienced during the recent Covid-19 pandemic. Under this scenario, one-off costs to implement the required cost-base reductions are assumed in the impacted markets.

In this scenario, capital expenditure has been reduced whereas investment in spirit and wood continues on a replenishment basis. Throughout the severe but plausible downside scenario the Group would remain within its facility limits and in compliance with the relevant covenants, with further cash mitigation opportunities available through capital expenditure, spirit and wood investment.

The Directors are mindful of the potential impacts to macro-economic conditions and further risk of disruption to supply chains that the conflict in Ukraine presents, but after assessing the risks do not believe there to be a material risk to going concern. Based on the above, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

## 2.6 Foreign currency transactions

In preparing the financial information, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The assets and liabilities of operations whose functional currency is not sterling are translated to sterling at exchange rates ruling at the Statement of Financial Position date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rate ruling at the dates of the transactions. Exchange rate differences arising on retranslation are recognised in other comprehensive income and accumulated within a separate component of equity, the translation reserve, and are released upon disposal of the non-sterling operation.

## 2.7 Revenue

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to customers.

For sales of whisky, other spirits or goods the Group recognises revenue at the point in time that the goods are transferred to the customer, in line with contractual arrangements, which is at the point of delivery for online sales, at the point of sale for UK venues, and at the point of dispatch for all other sales which are issued on an "ex works" basis whereby the buyer takes on ownership from that point and is responsible for shipping. Revenue relating to the sale of whisky and other spirits includes excise duty. Payment terms are in advance for private customers, 30 days for partner bars and 120 to 150 days on sales to the USA.

The Group generates some of its revenue from sales of membership subscription/renewal to members on an annual contract obligation. Revenue is deferred and recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

Where the membership sale consists of a bundle of components, e.g. membership with a bottle of whisky, the sale of the physical goods is recognised at the point of sale and the membership income is recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

In China and Japan, a customer loyalty programme is operated where members accumulate points for purchases which entitle them to a discount on future purchases. A contract liability for the award points is recognised at the time of sale. However, as unused points expire when a member subscription is not renewed, Management make a judgement on the likely percentage of points that will be renewed. This is based on actual member retention levels in those markets. The liability recognised within Other Payables in the Consolidated Statement of Financial Position is the percentage of the total value of unused points at the end of the year.

## 2.8 Property, plant and equipment

Property, plant and equipment are stated at historic cost, less accumulated depreciation and any accumulated impairment losses. Assets under construction are stated at historic cost and will not be subject to depreciation until completed and in operational use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings freehold	50 years
Land and buildings leasehold	10-25 years
Leasehold improvements	4-10 years
Fixtures, fittings and equipment	4-10 years
Cask wood	20 years
Right-of-use properties	10-25 years

Freehold land is not depreciated. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the Statement of Comprehensive Income.

Right-of-use assets are depreciated over the term of the relevant lease, including extension option periods where the Directors are reasonably certain the extensions will be executed.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### 2.9 Intangible assets

##### Goodwill

Goodwill is stated at cost less any accumulated impaired losses. Initial recognition is at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed, adjusted for non-controlling interests and previous interests held by the Group.

##### Trademarks and customer lists

Trademarks and customer lists are initially recognised at their fair value on acquisition. Trademarks and customer lists are amortised over their useful life of 14 and 7-8 years respectively. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

##### Website

The carrying value of the website represents the fair value of the domain name and the cost of the compilation of the website. The website is amortised over its useful life of 4-5 years. Amortisation methods and useful life are reviewed at each reporting date and adjusted if appropriate.

##### Computer software

Computer software represents the fair value of the ERP systems used within the Group. The software is amortised over four years.

Amortisation methods and useful lives for trademarks, customer lists, website and computer software are reviewed at each reporting date and adjusted as appropriate.

#### 2.10 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Additionally the carrying value of investments in the Parent Company balance sheet are considered annually to determine whether there are any indications of impairment. If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount of each asset or significant cash generating unit, which is performed at an individual segment level, to which the asset belongs. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. The recoverable amount is the higher of value in use and fair value less costs to sell. The impairment loss is recognised in the income statement.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

#### 2.11 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the Statement of Comprehensive Income.

The valuation basis incorporates consideration in respect to IFRS 13 'Fair Value Measurement' which requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs for the asset or liability that are not based on observable market data.

#### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and related fixed and variable production overheads. Where multiple inventory items are purchased in a single transaction the total cost is allocated using the FIFO method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale. The Group has dedicated financing facilities under which a portion of its inventories are financed. In these instances the inventories are subject to repurchase agreements and have not been derecognised as the Group has not transferred control.

#### 2.13 Cash and cash equivalents

Cash and short term deposits in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. In the Consolidated Statement of Cash Flows the inventory secured RCF is presented as a financial liability rather than as a negative cash or cash equivalent, in accordance with accounting standards.



## 2.14 Financial instruments

Financial instruments are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial information only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding impairment, IFRS 9 requires the Group to record expected credit losses on all applicable financial assets, e.g. trade receivables and bank balances, either on a 12-month or lifetime basis. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and other receivables. To measure expected credit losses on a collective basis, trade receivables and other receivables are grouped based on similar credit risk and aging. The Company applies the IFRS 9 simplified approach to measuring expected credit losses on amounts receivables from subsidiaries.

### Current receivables and payables

The carrying value of trade and other receivables/payables classified as financial assets/liabilities measured at amortised cost approximates fair value.

These are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

## 2.15 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

## 2.16 Hedge accounting

During the year to 31 December 2023 and 31 December 2022, the Group did not enter into forward contracts to hedge against foreign currency risk on receivables.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the Statement of profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a financial asset or financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Statement of Comprehensive Income immediately.

## 2.17 Borrowings

### Revolving Credit Facility

The Company and SMWS hold a revolving credit facility agreement with RBS of £21.5 million until December 2025. The availability of funds under the facility agreement is linked to a calculation of eligible inventory. The facility is available for three years and therefore outstanding balances are accounted for as Long Term Liabilities.

Interest under the RBS facility agreement is calculated based on the prevailing Bank of England sterling overnight index average (commonly referred to as SONIA). Security is granted by the Company via a separate floating charge over the Company's property, undertaking, assets and rights owned at the time the floating charge was granted and in the future.

The facility is committed, subject to compliance with representations, undertakings and events of default, including financial covenants in respect of minimum EBITDA and net tangible assets, tested only if the cover afforded by inventory levels falls below a stated level.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### Inventory Financing Facility

The Group entered into an inventory financing facility with Ferovinum on 6 November 2023. The total financing available under the facility is £15m, on an evergreen basis. Under the facility, Ferovinum undertakes a market-based valuation of cask inventory against which SMWS may raise finance. Each cask or grouping of casks financed is covered by a single trade, with the maturity specific to that contract note, typically 24 months. The Group retains flexibility to repay earlier should the cask goods be required. Security is granted through transfer of title to the inventory, however it remains under the Group's control and the Group retains exposure to the risks and rewards of ownership. At the point of redemption, which comprises repayment of principal and interest, the title to the goods is returned to the Group.

Interest under the Ferovinum facility is paid at a margin of 2.25% over the prevailing Bank of England base rate. Costs incurred that are directly attributable to the facility are recognised using the effective interest method.

#### 2.18 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### 2.19 Taxation

Corporation tax is accounted for using the taxes payable method. The corporation tax expense recorded in the Statement of Comprehensive Income for the period represents the corporation tax payable for the period.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and are recognised only when it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 2.20 Employee benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Statement of Comprehensive Income in the year they are payable.

#### 2.21 Leases

Right of use assets and lease liabilities are recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. The right-of-use asset represents the Group's right to use the underlying leased asset and the lease liability represents its obligation to make lease payments.

The lease liability is recognised as the present value of committed lease payments, discounted using either the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group's incremental borrowing rate.

The right-of-use asset is recognised at an amount equal to the total of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal, and site restoration costs.

Leases in which the Group is lessor are classified operating leases as the lease does not transfer substantially all of the risks and rewards of ownership to the lessee. Lease income under operating leases is recognised as revenue in the income statement on a straight-line basis over the lease term.

## 2.22 Exceptional and non-recurring costs

Exceptional and non-recurring costs are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. Details in respect of such exceptional and non-recurring costs recognised in the current and prior period are provided in Note 5.

## 2.23 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed over the vesting period of the options. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the Company as a capital contribution and presented as an increase in the Company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

For new share options issued during the year which carry performance conditions, the Directors have made critical judgments in relation to the likelihood of achieving the future performance conditions of these options. Further details on assumptions made are included in Note 26.

## 2.24 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

The Group has a provision in place for dilapidations on two of its venues and Masterton Bond. A corresponding right-of-use asset has been included in property, plant and equipment.

## 3 Critical accounting estimates and judgements

In preparing this consolidated financial information, Management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements are stated below.

### Exceptional and non-recurring costs

Exceptional and non-recurring costs are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods.

Details in respect of such exceptional and non-recurring costs recognised in the current and prior period are provided in Note 5. Management judged as exceptional and non-recurring the classification of restructuring costs, pre-operational costs for the Taiwan new operations, pre-acquisition costs relating to the Single Cask Nation acquisition and pre-operational costs relating to the Group's supply chain facility as exceptional. Management considers such items to be significant drivers of additional cost outside of normal operations, which are not expected to recur from one year to another therefore are presented separately allowing comparability of the year-on-year underlying trading of the Group.

## Notes to the Financial Statements continued

### 3 Critical accounting estimates and judgements continued

#### Carrying value of Investments in Subsidiaries

The Company's investments in subsidiaries as set out in Note 14 are reviewed for impairment annually, calculating discounted future cash flows on performance obtained from the Group's 3 year budget expectation.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates based on the Group's weighted average cost of capital.

### 4 Operating Segments

As the business has grown the level of information presented to the chief operating decision maker has continued to develop to better support business needs and inform decision making. The geographical markets in which the Group operates are allocated to a business segment, consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision maker has been identified as the Board of Directors, which is responsible for developing strategy and leading its execution. The Board includes the Chief Executive Officer, Chief Financial Officer, Chair and Non-Executive Directors.

The Group is organised in three distinct geographical segments for which summarised management information is available to the Board plus a fourth segment which makes up the rest of the world. These geographical markets as set out in the table below represent the operating segments of the Group. Australia, New Zealand and South Africa, which do not sit within the identified geographical segments, are aggregated and presented within Other. Whilst Central costs are not considered at an operating segment level, they are reported to the Board and are included to aid reconciliation to the consolidated Income Statement. Sales are allocated to the geographical market in which the sale is fulfilled. The Board receives monthly financial information to a Gross Profit level, in addition to Central Costs, and utilised this information to monitor performance and allocate resources. The Prior Year comparatives have been restated within their operating segments to aid comparability.

	Europe £'000	Asia £'000	Americas £'000	Other £'000	Group £'000
2023					
Revenue	12,570	5,223	4,722	985	23,500
Cost of Sales	(5,783)	(1,415)	(896)	(405)	(8,499)
<b>Gross Profit</b>	<b>6,787</b>	<b>3,808</b>	<b>3,826</b>	<b>580</b>	<b>15,001</b>
Selling & distribution costs					(6,238)
Administrative costs					(10,901)
Finance Costs					(1,516)
Other income					79
Loss before tax					(3,575)
Taxation					(158)
<b>Net Loss</b>					<b>(3,733)</b>
2022					
Revenue	9,804	6,099	4,670	1,208	21,781
Cost of Sales	(5,076)	(1,664)	(997)	(617)	(8,354)
<b>Gross Profit</b>	<b>4,728</b>	<b>4,435</b>	<b>3,673</b>	<b>591</b>	<b>13,427</b>
Selling & distribution costs					(5,503)
Administrative costs					(9,875)
Finance Costs					(576)
Other income					37
Loss before tax					(2,072)
Taxation					359
<b>Net Loss</b>					<b>(1,713)</b>

The Board does not receive a segmental breakdown of assets and liabilities, depreciation or capital expenditure.

Within Europe, the UK represents the largest market, split UK Online and UK Venues, delivering £3.5 million (2022: £3.3 million) and £4.0 million (2022: £3.7 million), respectively.

In the Americas region, the largest market being the US, shipment sales of £4.4 million were flat on prior year (2022: £4.4 million), with in-market depletions +5%, and Q4 alone +29%, year on year.

China represents the largest market in Asia, revenue in the year of £3.5 million (2022: £5.0 million) was a 30% decline on the prior year, impacted by the economic headwinds within the market.

Other is predominantly represented by Australia, with revenue of £0.8 million (2022: £1.0 million).

Certain KPIs relating to membership are monitored by the Board and by Management, as follows:

	Revenue £'000	Year End Members	Average Members	Annual Revenue/ Member £	Annual Contribution/ Member £	Retention %	Expected Years	LTV (Members) £
2023								
Europe	10,231	25,921	24,987	409	187	78	4.6	866
Asia	5,223	4,865	4,249	1,229	878	63	2.7	2,355
Americas	4,722	8,281	7,511	628	366	67	3.0	1,107
Other	977	1,977	1,958	499	291	70	3.3	970
<b>Total</b>	<b>21,153</b>	<b>41,044</b>	<b>38,706</b>	<b>547</b>	<b>303</b>	<b>74</b>	<b>3.9</b>	<b>1,173</b>
<b>Change vs prior year</b>	<b>-</b>	<b>+10%</b>	<b>+9%</b>	<b>-9%</b>	<b>-7%</b>	<b>-3%</b>	<b>-9%</b>	<b>-15%</b>
2022								
Europe	9,408	24,494	23,304	404	173	80	5.1	885
Asia	6,056	3,770	3,668	1,651	1,180	64	2.7	3,234
Americas	4,618	7,148	6,632	696	392	68	3.1	1,235
Other	1,129	2,004	1,818	620	318	80	4.9	1,556
<b>Total</b>	<b>21,209</b>	<b>37,416</b>	<b>35,422</b>	<b>599</b>	<b>326</b>	<b>77</b>	<b>4.3</b>	<b>1,387</b>

1 Contribution is a non-IFRS measure, and is defined by Management as Gross Profit less Commission paid on sales (primarily in relation to the USA).

2 Expected Years is a non-IFRS measure, and is defined by Management as one divided by one minus retention  $1/(1-r\%)$ .

3 Lifetime Value (LTV) is a non-IFRS measure, and is defined as Annual Gross Profit per member, multiplied by expected years.

4 Total revenue excludes trade cask sales within Europe and JG Thomson trade sales totalling £2,347k (2022: £572k) which are unrelated to membership proposition.

An analysis of the Group's revenue by product category is as follows.

	2023 £'000	2022 £'000
Revenue from sale of whisky	18,161	16,972
Membership income	1,724	1,479
Revenue from sale of other spirits	143	149
Member rooms	2,244	2,025
Events and tastings	886	827
Other	342	329
<b>Total revenue</b>	<b>23,500</b>	<b>21,781</b>

Revenue from the sale of whisky in 2022 has been adjusted to include £344k of trade sales of cask whisky, previously presented within Other.

### Other operating income

	2023 £'000	2022 £'000
Other income	79	37
	<b>79</b>	<b>37</b>

Other income in 2023 relates to a refund of previously overpaid expenses in SMWS China; other income in 2022 was predominantly the ageing of gift vouchers past expiry as well as interest received on VAT refunds from HMRC.

## Notes to the Financial Statements continued

**5 Exceptional and non-recurring costs**

	2023 £'000	2022 £'000
Organisational restructuring costs	418	1
Acquisition and transaction-related costs	138	288
Masterton pre-operational costs	91	342
	<b>647</b>	<b>631</b>

In 2023 non-recurring costs comprise executive and senior management team restructuring costs, pre-acquisition costs in relation to the Group's new operations in Taiwan and the Group's acquisition of Single Cask Nation subsequent to the year end, and costs relating to finalisation of the Masterton Bond start-up which became operational in 2022.

The 2022 non-recurring costs relate to pre-operational expenses in setting up the Masterton Bond site to be operational by the end of 2022, and the initial costs of the American whiskey concept and brand assessment and development as well as establishment of relevant legal entities. These costs are fully expensed in the year with no revenue achievement and are therefore separately shown to make clear the underlying profitable performance of the business.

**6 Loss for the year**

	2023 £'000	2022 £'000
<b>Operating loss is stated after charging:</b>		
Amortisation of intangible assets	282	259
Depreciation on tangible assets	1,173	1,000
Cost of inventories recognised as an expense	5,759	6,111
Net foreign exchange loss	79	11
<b>Reconciliation of adjusted EBITDA:</b>		
Loss on ordinary activities before taxation	(3,575)	(2,072)
Add back; Depreciation of tangible assets	1,173	1,000
Add back; Depreciation of production assets within cost of sales	106	-
Add back; Amortisation of intangible assets	282	259
Add back; Finance Costs – interest on loans	1,415	494
Add back; Finance Costs – leases	101	82
<b>EBITDA</b>	<b>(498)</b>	<b>(237)</b>
Exceptional and non-recurring costs	647	631
<b>Adjusted EBITDA</b>	<b>149</b>	<b>394</b>

Adjusted EBITDA and loss for the year are stated after including £nil (2022: £0.2m) of share based payment costs.

**Services provided by the Group's auditor and associates**

During the year the Group received the following services from the Group's auditor, Mazars LLP and associates:

	2023 £'000	2022 £'000
Statutory audit – Company	50	40
Statutory audit – Subsidiaries	174	126
	<b>224</b>	<b>166</b>

(i) During the current year, additional fees of £75k were incurred in respect of overruns on the 2022 statutory audit; these costs are expensed in the year but have not been included in the disclosure of the 2023 audit fee as they relate to the prior year

## 7 Employees

	2023 £'000	2022 £'000
Wages and salaries	5,873	5,373
Social security costs	524	428
Pension costs	315	228
	<b>6,712</b>	6,029

The average monthly number of employees (including Directors) during the year was:

	2023 Number	2022 Number
Management	33	33
Venue staff	37	42
Other support staff	63	40
	<b>133</b>	115

All employment costs are recognised in administrative expenses.

## 8 Income tax

	2023 £'000	2022 £'000
<b>Current income tax</b>		
UK corporation tax		
Adjustment in respect to prior periods	(45)	(250)
Foreign tax	203	454
Current tax charge	158	204
<b>Deferred tax</b>		
Relating to origination and reversal of temporary timing differences	-	(386)
Adjustment in respect to prior periods	-	(52)
Effect of changes of tax rates	-	(125)
Deferred tax credit	-	563
<b>Tax on ordinary activities</b>	<b>158</b>	<b>(359)</b>
<b>Reconciliation of effective tax rate</b>		
Accounting loss before tax	<b>(3,575)</b>	<b>(2,072)</b>
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 23.5% (2022: 19.00%)	<b>(840)</b>	<b>(394)</b>
Expenses/(income) not deductible in determining taxable profit	<b>295</b>	<b>(56)</b>
Adjustment in respect of prior years	<b>24</b>	<b>(302)</b>
Tax rate changes	-	(125)
Deferred tax not recognised movement	<b>488</b>	<b>64</b>
Impact of higher non-UK tax rates	<b>203</b>	<b>454</b>
Other movements	<b>(12)</b>	<b>-</b>
<b>Total tax charge</b>	<b>158</b>	<b>(359)</b>

## Notes to the Financial Statements continued

## 9 Deferred tax

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Deferred tax liabilities	<b>729</b>	563	<b>67</b>	212
Deferred tax assets	<b>(729)</b>	(563)	<b>(67)</b>	(212)
<b>Net deferred tax liability</b>	<b>-</b>	-	<b>-</b>	-
<b>Reconciliation of deferred tax liability</b>	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Opening liability	-	563	-	-
Adjustment in respect of prior period	-	-	-	-
Recognised in other comprehensive income	-	-	-	-
Recognised in profit or loss	-	(563)	-	-
<b>Closing liability</b>	<b>-</b>	-	<b>-</b>	-

The UK corporation tax rate for the period ended 31 December 2023 is a hybrid rate 23.5%. This is due to the increase in corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax assets at 31 December 2022 have been measured using this enacted tax rate. The deferred tax asset arising on losses carried forward has not been recognised in these financial statements.

The above represents the Group deferred tax position. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Unused losses have no expiry period and carry forward indefinitely, subject to maximum allowable relief in a period of £5m plus 50% of unrelieved profits above this amount.

## The deferred tax liabilities and assets are made up as follows:

	Accelerated tax depreciation	Others £'000	Losses £'000	Total £'000
As at 1 January 2022	471	-	-	<b>471</b>
Charge to profit or loss	444	142	(1,057)	<b>(471)</b>
As at 1 January 2023	915	142	(1,057)	-
Charge to profit or loss	(352)	24	328	-
As at 31 December 2023	563	166	(729)	-

The entity has recognised deferred tax assets during the period to offset the deferred tax liability in full. There is a deferred tax asset remaining of £2,247k (2022: £1,801k) which has not been recognised as follows;

	2023 £'000	2022 £'000
Trading losses	<b>2,048</b>	1,501
Temporary trading differences	<b>199</b>	300
	<b>2,247</b>	1,801

## 10 Earnings Per Share (EPS)

	2023 £'000	2022 £'000
Earnings used in calculation	<b>(3,848)</b>	(2,010)
Number of shares	<b>70,214,725</b>	69,708,374
Basic EPS (p)	<b>(5.5p)</b>	(2.9p)
Number of dilutable shares	<b>74,989,595</b>	74,746,138
Diluted EPS (p)	<b>(5.5p)</b>	(2.9p)

All dilutable potential shares relate to share options as disclosed in Note 26. A loss per share is not diluted. The number of shares and number of dilutable shares shown represent the weighted average for the period.



## 11 Investment property

	Total £'000
<b>Valuation</b>	
As at 1 January 2022	391
Revaluation	14
As at 31 December 2022	405
Revaluation	15
As at 31 December 2023	420
<b>Carrying amount<sup>(i)</sup></b>	
As at 31 December 2022	405
As at 31 December 2023	420

(i) No impairment is recognised as at 31 December 2023 or 31 December 2022.

Investment property is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. The valuation as at 31 December 2023 is based on a revaluation carried out by independent valuers DM Hall, not connected with the Group, in accordance with the RICS Red Book. DM Hall are Chartered Surveyors and have recent experience in the location and category of the investment property being valued.

The properties are residential flats located in Leith, Edinburgh and are owned by Group subsidiary, The Scotch Malt Whisky Society Limited. There has been no change to the valuation technique during the year.

The valuation basis reflects principally rental income from the properties together with other assumptions that market participants would use, such as reflects recent transaction prices for similar properties, which is then reflected within the valuation basis as a multiple of the rental income. As at 31 December 2023 and 31 December 2022 it was considered that the unobservable Level 3 input for the rental income is a significant input to the valuation and as such Level 3 was the most appropriate categorisation for these fair value measurements overall.

The Directors continue to consider that the cost is materially equivalent to fair value and that a reasonably possible change in rental income or multiple is not likely to result in a material movement in the valuation.

Rental income achieved from investment property in 2023 is £30k (2022: £25k) with direct operating expense of £1k (2022: £1k).

## Notes to the Financial Statements continued

## 12 Property, plant and equipment

## Group

	Land and buildings freehold £'000	Land and buildings leasehold £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Cask wood £'000	Right-of use asset £'000	Total £'000
<b>Cost or valuation</b>							
As at 1 January 2022	678	1441	498	1,968	2,745	4,343	11,673
Additions	-	-	5	2,202	704	162	3,073
As at 31 December 2022	678	1,441	503	4,170	3,449	4,505	14,746
Additions	-	-	-	817	840	-	1,657
Disposals	-	-	-	(25)	-	-	(25)
As at 31 December 2023	<b>678</b>	<b>1,441</b>	<b>503</b>	<b>4,962</b>	<b>4,289</b>	<b>4,505</b>	<b>16,378</b>
<b>Accumulated depreciation</b>							
As at 1 January 2022	168	1,027	251	844	345	661	3,296
Charge for the year	13	70	55	328	148	474	1,088
As at 31 December 2022	181	1,097	306	1,172	493	1,135	4,384
Charge for the year	15	70	47	849	169	420	1,570
Released on disposal	-	-	-	(2)	-	-	(2)
As at 31 December 2023	<b>196</b>	<b>1,167</b>	<b>353</b>	<b>2,019</b>	<b>662</b>	<b>1,555</b>	<b>5,952</b>
<b>Net book value</b>							
As at 31 December 2022	497	344	197	2,998	2,956	3,370	10,362
As at 31 December 2023	<b>482</b>	<b>274</b>	<b>150</b>	<b>2,943</b>	<b>3,627</b>	<b>2,950</b>	<b>10,426</b>

£151k (2022: £88k) of the depreciation charge for cask wood, £65k of the depreciation charge for fixtures, fittings and equipment and £74k of the depreciation charge for right-of-use assets have been capitalised as costs of stock. The remaining balance has been expensed to the Statement of Comprehensive Income.

Leases are in relation to the Group's supply chain facility at Masterton Bond in addition to venues at Queen Street in Edinburgh and Bath Street in Glasgow.

Right of use assets included in the Consolidated Statement of Financial Position were as follows.

	Venues	Supply Chain Facility	Total
As at 1 January 2022 <sup>(i)</sup>	1,520	2,162	3,682
Additions	-	162	162
Depreciation	(188)	(286)	(474)
As at 31 December 2022 <sup>(i)</sup>	1,332	2,038	3,370
Depreciation	(187)	(233)	(420)
<b>At 31 December 2023</b>	<b>1,145</b>	<b>1,805</b>	<b>2,950</b>

(i) Right of Use Assets at 1 January 2022 and at 31 December 2022 has been adjusted to reclassify £187k of assets from Supply Chain Facility to Venues, with no change to the reported total balance.

Lease Liabilities included in the Consolidated Statement of Financial Position were as follows.

	Venues	Supply Chain Facility	Total
As at 1 January 2022	1,428	2,163	3,591
Additions	51	31	82
Depreciation	(200)	(154)	(354)
As at 31 December 2022	1,279	2,040	3,319
Interest payment	51	50	101
Repayment of lease liability	(199)	(262)	(461)
<b>At 31 December 2023</b>	<b>1,131</b>	<b>1,828</b>	<b>2,959</b>

## Company

	Land and buildings leasehold £'000	Assets under construction £'000	Fixtures, fittings and equipment £'000	Right of use asset £'000	Total £'000
<b>Cost or valuation</b>					
As at 1 January 2022	36	266	-	2,162	2,464
Transfers	-	(266)	266	-	-
Additions	-	-	2,076	162	2,238
As at 31 December 2022	36	-	2,342	2,324	4,702
Additions	-	-	233	-	233
As at 31 December 2023	<b>36</b>	<b>-</b>	<b>2,575</b>	<b>2,324</b>	<b>4,935</b>
<b>Accumulated depreciation</b>					
As at 1 January 2022	-	-	-	-	-
Charge for the year	-	-	97	286	383
As at 31 December 2022	-	-	97	286	383
Charge for the year	-	-	630	233	863
As at 31 December 2023	<b>-</b>	<b>-</b>	<b>727</b>	<b>519</b>	<b>1,246</b>
<b>Net book value</b>					
As at 31 December 2022	36	-	2,245	2,038	4,319
As at 31 December 2023	<b>36</b>	<b>-</b>	<b>1,848</b>	<b>1,805</b>	<b>3,689</b>

Assets under construction in 2022 related to the Supply Chain Facility.

The Company's Right of Use Assets and Lease Liability are those set out above within the Group relating to the Supply Chain Facility.

## 13 Intangible assets

### Group

	Goodwill £'000	Trade marks £'000	Customer database £'000	Website and computer software £'000	Total £'000
<b>Cost</b>					
As at 1 January 2022	1,323	1,058	416	879	3,676
Additions	-	13	-	75	88
As at 31 December 2022	1,323	1,071	416	954	3,764
Additions	-	26	-	396	422
As at 31 December 2023	<b>1,323</b>	<b>1,097</b>	<b>416</b>	<b>1,350</b>	<b>4,186</b>
<b>Accumulated depreciation</b>					
As at 1 January 2022	-	463	326	467	1,256
Charge for the year	-	77	34	148	259
As at 31 December 2022	-	540	360	615	1,515
Charge for the year	-	80	25	177	282
As at 31 December 2023	<b>-</b>	<b>620</b>	<b>385</b>	<b>792</b>	<b>1,797</b>
<b>Net book value</b>					
As at 31 December 2022	1,323	531	56	339	2,249
As at 31 December 2023	<b>1,323</b>	<b>477</b>	<b>31</b>	<b>558</b>	<b>2,389</b>

The Group conducts an impairment annual exercise to ensure that the carrying value of goodwill is supported by the recoverable amount, determined as the net present value of the future cash flows arising from the associated cash generating unit (CGU). All Goodwill is attributed the Scotch Malt Whisky Society Limited CGU. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by Management for the next three years and extrapolates cash flows for the following years. The growth rate applied does not exceed the average long-term growth rate for the relevant markets. The recoverable amounts are determined from value-in-use calculations.

## Notes to the Financial Statements continued

### 13 Intangible assets continued

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates based on the Group's weighted average cost of capital. The growth rates are based on business performance insight that drive 3 year forecast plan, covered as part of business strategic planning cycles reverting to 2% (2022: 2%) long-term growth rate thereafter. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Applying sensitivities to the pre-tax cash flows, a 10% reduction in EBITDA, or a 2% point increase in the discount rate do not result in material impairment. The pre-tax discount rates used range between 12.1% and 12.7% (2022: 8.6%).

### Company

	Customer Database £'000	Trademarks £'000	Website and computer software £'000	Total £'000
<b>Cost or valuation</b>				
As at 1 January 2022	30	-	-	30
Additions	-	-	57	57
As at 31 December 2022	30	-	57	87
Additions	-	7	350	357
As at 31 December 2023	<b>30</b>	<b>7</b>	<b>407</b>	<b>444</b>
<b>Accumulated amortisation</b>				
As at 1 January 2022	7	-	-	7
Charge for the year	4	-	1	5
As at 31 December 2022	11	-	1	12
Charge for the year 2023	4	1	35	40
As at 31 December 2023	<b>15</b>	<b>1</b>	<b>36</b>	<b>52</b>
<b>Net book value</b>				
As at 31 December 2022	19	-	56	75
As at 31 December 2023	<b>15</b>	<b>6</b>	<b>371</b>	<b>392</b>

### 14 Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
As at 1 January 2022	16,111
As at 31 December 2022	16,111
Addition (capitalisation of subsidiary)	187
As at 31 December 2023	<b>16,298</b>

On 22 August 2023 the Company established a new subsidiary to operate in Taiwan, with a 70% controlling interest. The Company invested £187k of start-up capital into its subsidiary. The Company received £65k from non-controlling interests in relation to their initial investment in a 30% interest in the subsidiary. The amount paid is equivalent to the proportionate share of the net assets acquired.

For the Company's investments a full impairment analysis was conducted to ensure that the recoverable amount exceeded the carrying value of the associated investment. The recoverable amount was determined to be the present value of the future cash flows arising from the associated investment, based on financial budgets approved by Management for the next three years and extrapolates cash flows for the following years. The key assumptions included with the cash flow models relate to the future cash flows of the investment together with the long term growth rate of 2% and the discount rate utilised in the net present value calculations of 12.5%.

The forecasts used indicate sufficient headroom above carrying value for the Company's investments. Sensitivity analysis has been undertaken over the key assumptions of long term growth rate and discount rate to assess the impact of any reasonably possible change in key assumptions. On the basis of the analysis performed, there are no reasonably possible changes that would cause the carrying values to exceed the recoverable amounts.

## Principal investments

At 31 December 2023, the company held investments in the following subsidiary undertakings, which principally affected the profits or net assets of the Group:

Name of undertaking	Country of incorporation or residency	Address	Nature of business	Class of shareholding	% Held Direct	% Held Indirect
The Scotch Malt Whisky Society Japan Limited	Japan	Quaranta 1966-406, 1-4-10, Jiyugaoka, Meguro-ku, Tokyo, Japan	To import and distribute whisky in Japan	Ordinary	-	80.00
The Scotch Malt Whisky Society Limited	Hong Kong	Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong	To import and distribute whisky in China	Ordinary	-	75.00
The Scotch Malt Whisky Trading (Shanghai) Limited	China	Room 1125, 11th Floor, Building 1, No, 55, Aona Road, China (Shanghai) Pilot Free Trade Zone	To import and distribute whisky in China	Ordinary	-	75.00
The Artisanal Spirit Company Hong Kong	Hong Kong	Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong	To import and distribute whisky in Hong Kong	Ordinary	-	75.00
The Scotch Malt Whisky Society Taiwan Co. Ltd.	Taiwan	8F, No.8, Lane 360, Sec. 1 Neihu Road, Taipei City, Taiwan 114686	To import and distribute whisky in Taiwan	Ordinary	70.00	-
The Scotch Malt Whisky Society Limited	UK	The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ	Sales and marketing of malt whisky	Ordinary	100.00	-
ASC Scotland Limited	UK	The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ	Group support services	Ordinary	100.00	-
J.G. Thomson Limited	UK	The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ	Creation and sale of blended malt	Ordinary	100.00	-
The Artisanal Spirits Company (Ireland) Limited	Ireland	Coliemore House, Coliemore Road, Dalkey, Co Dublin, ROI, A96 A8D5	To import and distribute whisky in Europe	Ordinary	100.00	-
The Artisanal Spirits Company Pty Ltd	Australia	750a Barrenjoey Road, Avalon Beach, NSW Australia 2107	To import and distribute whisky in Australia	Ordinary	100.00	-
The Artisanal Spirits Company (America), Inc	United States	108 West Thirteenth Street, Wilmington, Newcastle, Delaware, 19801	Sale of American whiskey in United States	Ordinary	100.00	-
The Independent Spirits Company Inc	United States	108 West Thirteenth Street, Wilmington, Newcastle, Delaware, 19801	Sale of American whiskey in United States	Ordinary	100.00	-

The registered office of the UK businesses is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

J.G. Thomson Limited and ASC Scotland Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Company guarantees all outstanding liabilities to which each subsidiary company is subject.

Dividend payments shown in the Consolidated Statement of Changes in Equity relate to dividends payable to the minority shareholder in SMWS China, Christina Leung, who is also the Managing Director of SMWS China. The dividend remains unpaid as at 31 December and the £213k payable to the minority shareholder is reflected within other payables at Note 19.

## Notes to the Financial Statements continued

## 15 Inventories

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cask Goods	<b>25,343</b>	23,034	-	-
Bottled stock	<b>3,092</b>	3,298	-	-
Other inventory	<b>2,129</b>	1,971	-	-
	<b>30,564</b>	28,303	-	-

The cost of inventories recognised as an expense during the year was £5,759k (2022: £6,111k). The cost of inventories recognised as an expense includes £151k (2022: £4k) in respect of write-downs of bottled stock and other inventory.

Inventories with a carrying amount of £795k (2022: £nil) have been pledged as security for certain of the Group's financing facilities. See Note 18 for further details.

## 16 Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	<b>3,562</b>	2,581	-	-
Other receivables	<b>1,225</b>	1,133	<b>288</b>	597
Amounts owed by subsidiaries	-	-	<b>10,948</b>	10,373
	<b>4,787</b>	3,714	<b>11,236</b>	10,970

The trade receivables balance is shown net of an expected credit loss (ECL) provision for £25k (2022: £25k). The Company has no ECL in respect of amounts owed by subsidiaries, which are considered fully recoverable.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. No significant receivable balances have been impaired. See Note 23 for information on the currency denomination of trade receivables. Other receivables are denominated 65% Sterling, 29% Yen, 6% Renminbi.

## 17 Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash on hand and balances with banks	<b>1,235</b>	2,331	<b>172</b>	13

The Directors consider that the carrying amount of cash and cash equivalents is approximately equal to their fair value.

## 18 Financial liabilities

	Notes	Group		Company	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Inventory Secured RCF		<b>20,000</b>	16,500	-	-
Inventory financing		<b>2,628</b>	-	-	-
Bank loans		<b>1,418</b>	784	<b>319</b>	-
Other loans		<b>35</b>	57	<b>35</b>	55
<b>Total financial liabilities</b>		<b>24,081</b>	17,341	<b>354</b>	55

**Inventory secured RCF** The revolving credit facility (RCF) is secured by a bond and floating charge over eligible inventory within the Group. The availability of funds under the facility agreement is linked to a calculation of eligible inventory, which is predominantly the casked goods component of inventory assets. In December 2022, the revolving credit facility was increased, as part of the accordion element within the original contract, by £3m to £21.5m. The loan is interest bearing and interest is due at a rate of 2.25% over the Bank of England base rate, this new rate replacing the original rate of 2.5%. The revolving credit facility has quarterly leverage and covenants relating to minimum stock holding level as a percent of the facility drawn down, the 'springing test', which requires 135% of eligible inventory holding against the RCF balance, reviewed monthly. Secondary covenants of EBITDA and Net Assets (excluding Intangibles) exist if the springing test is not met. The springing test has been met throughout the period. The Company has issued a parental guarantee to SMWS in favour of the lender.

**Inventory financing** As set out in Note 2.17, on 6 November 2023 the Group entered into a facility with Ferovinum under which the SMWS subsidiary may raise finance of 60% to 80% of current market value secured against cask spirit. The total available facility is £15.0m with utilisation as at 31 December 2023 of £2.6m. The facility carries interest on cash advanced at a rate of 2.25% over the Bank of England base rate, settled on settlement of the principal. The total outstanding balance is secured against cask inventory with a book (cost) value of £0.8m. The Company has issued a parental guarantee to SMWS in favour of the lender.

**Bank loan** The bank loan is secured by standard securities over the ground floor premises of the Leith property and a legal charge over the Greville Street property. The loan is interest bearing and interest is due at a rate of 2.5% over the Bank of England base rate.

### Analysis of financial liabilities

Financial liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current liabilities	272	357	121	-
Non-current liabilities (1-5 years)	23,809	16,984	233	55
<b>Total financial liabilities</b>	<b>24,081</b>	<b>17,341</b>	<b>354</b>	<b>55</b>

No amounts fall due after more than five years for the Group or the Company.

The movement in the Group's liabilities arising from financing activities, as set out within the Cash Flow statement is:

	2023 £'000	2022 £'000
At the beginning of the year	20,659	10,779
<b>Non-cash movements:</b>		
Lease interest	101	82
Interest payable with principal	35	-
<b>Cash movements:</b>		
Proceeds from new borrowings	1,450	-
Repayment of borrowings	(836)	(148)
Lease repayments	(461)	(354)
Inventory financing drawn down	2,592	-
RCF repaid	(1,500)	-
RCF drawn down	5,000	10,300
	<b>27,040</b>	<b>20,659</b>

#### Represented by:

Financial liabilities	24,081	17,341
Lease liability	2,959	3,319

	Balances due within 1 year £'000	Balances due after 1 year £'000	Total £'000
At 31 December 2022	717	19,942	20,659
Cash flows	(1,297)	7,542	6,245
Non-cash flows	1,223	(1,087)	136
<b>At 31 December 2023</b>	<b>643</b>	<b>26,397</b>	<b>27,040</b>

## Notes to the Financial Statements continued

**19 Trade and other payables**

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	547	262	193	229
Other payables	1,672	2,548	229	128
Deferred income	997	893	-	-
Amounts owed to Group undertakings	-	-	2,582	212
<b>Total trade and other payables</b>	<b>3,216</b>	<b>3,703</b>	<b>3,004</b>	<b>569</b>

All year end deferred income balances are recognised in full during the following financial year. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**20 Lease liability**

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current liabilities	384	360	211	211
Non-current liabilities	2,575	2,959	1,617	1,828
<b>Lease liability</b>	<b>2,959</b>	<b>3,319</b>	<b>1,828</b>	<b>2,039</b>

In respect of the Company lease liability, £692k falls due after more than five years.

**Measurement of lease liabilities**

	£'000
At 1 January 2023	3,319
Add: new leases in the year	-
Less: repayments	(461)
Interest	101
At 31 December 2023	<b>2,959</b>

The reconciliation of the Company lease liability, relating to the Supply Chain Facility, is set out in Note 12.

The contractual undiscounted cash flows in relation to lease liabilities as at 31 December are as follows:

	2023 £'000	2022 £'000
Less than 1 year	465	465
Between 1 and 5 years	1,861	1,861
Beyond 5 years	1,259	1,719
<b>Lease liability</b>	<b>3,585</b>	<b>4,045</b>

**21 Provisions**

	2023 £'000	2022 £'000
Dilapidation provisions	589	580

**Movement in the year:**

	£'000
At 1 January 2023	580
Charge to Statement of Comprehensive Income	9
At 31 December 2023	<b>589</b>

The charge for the year relates to the unwinding of the discounted provision.



Provision for dilapidation costs is in relation to costs to reinstate the properties at the end of each individual lease term. No new dilapidations were recognised during the year. Existing dilapidation provisions are held for Masterton Bond, Edinburgh and Glasgow member venues, lease terms ending October 2031, January 2029 and December 2034 respectively. The provision is expected to be utilised in line with the contractual lease expiry dates, with the costs to reinstate Masterton Bond based on third party estimates, and to reinstate the member venues as a proportion of the fit-out costs.

## 22 Financial instruments - accounting classifications and fair value

### Financial assets

Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost (see Note 16 and Note 17).

Derivative assets are classified as financial assets measured at fair value (level 2 - i.e. those that do not have regular market pricing) through the Consolidated Statement of Comprehensive Income.

### Financial liabilities

Trade and other payables (excluding deferred income) are classified as financial liabilities and measured at amortised cost (see Note 19).

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

Derivative liabilities are classified as financial liabilities measured at fair value (level 2) through the Consolidated Statement of Comprehensive Income.

## 23 Financial risk management

The Group has exposure to the following financial risks:

- Stock valuation;
- Credit risk;
- Liquidity risk;
- Market risk; and
- Capital management.

### Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversee how Management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group on an ongoing basis.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total £'000
2023						
Expected loss rate	0%	0%	0%	0%	10.9%	
Gross carrying amount	1,710	654	886	82	230	3,562
Loss provision	-	-	-	-	25	25
2022						
Expected loss rate	0%	0%	0%	0%	5.5%	
Gross carrying amount	1,944	-	8	171	458	2,581
Loss provision	-	-	-	-	25	25

## Notes to the Financial Statements continued

### 23 Financial risk management continued

#### Trade and other receivables

The Group's sales are split between Direct to Consumer orders with payment on order, and sales to trade customers and franchises. Some trade sales have longer payment terms than standard, with no history or expectation of default.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade and other receivables and accrued income. To measure the expected credit losses, trade and other receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. There is limited exposure to ECL due to the way the Group operates.

The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the Group may still choose to pursue enforcement in order to recover the amounts due.

On that basis, the loss allowance as at the period ended 31 December 2023 and 31 December 2022 was determined to be not significant for trade and other receivables, accrued income and cash and cash equivalents.

The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

Carrying amount	2023 £'000	2022 £'000
UK and Europe	<b>651</b>	501
North America	<b>2,657</b>	1,942
Rest of World	<b>254</b>	163
	<b>3,562</b>	2,606

The Company has minimal credit risk since it only holds intercompany receivables against which there is no ECL attributable and all amounts are considered to be recoverable.

#### Cash and cash equivalents

The Group held cash and cash equivalents of £1,235k at 31 December 2023 (2022: £2,331k) and a revolving credit facility of £20,000k (2022: £16,500k). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that both the Group and parent Company have sufficient liquidity to meet their respective liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains a balanced approach to managing liquidity risk, using a combination of facilities to maintain flexibility. As at 31 December 2023 the Group has undrawn facilities of £14,126k. The parent Company holds cash balances of £172k and has access to the Group facilities should they be required. Its trade and other payables all have a maturity of less than 12 months whilst the bank loans of £354k are repayable in over 12 months time.

### Exposure to liquidity risk

The following are the contractual maturities of Group financial liabilities at the reporting date, excluding lease liabilities which are set out at Note 20. The amounts are undiscounted.

31 December 2023	Contractual cash flows				
	Carrying amounts £'000	Total £'000	2 months or less £'000	2 months to 12 months £'000	Over 12 months £'000
<b>Non-derivative financial liabilities</b>					
Trade payables	814	814	814	-	-
Other payables	1,672	1,672	1,459	213	-
Other loans	35	35	-	-	35
Bank loans	1,418	1,551	56	270	1,225
RCF	20,000	22,750	-	1,250	21,500
Inventory financing facility	2,628	2,981	-	-	2,981
	<b>26,567</b>	<b>29,803</b>	<b>2,329</b>	<b>1,733</b>	<b>25,741</b>

31 December 2022	Contractual cash flows				
	Carrying amounts £'000	Total £'000	2 months or less £'000	2 months to 12 months £'000	Over 12 months £'000
<b>Non-derivative financial liabilities</b>					
Trade payables	262	262	235	27	-
Other payables	2,548	2,548	212	2,336	-
Other loans	57	57	-	-	57
Bank loans	784	784	16	80	688
RCF	16,500	16,500	-	-	16,500
	20,151	20,151	463	2,443	17,245

The contractual undiscounted cash flows in relation to lease liabilities as at 31 December are as follows:

	2023 £'000	2022 £'000
Less than 1 year	461	461
Between 1 and 5 years	1,840	1,840
Beyond 5 years	658	1,018
	<b>2,959</b>	<b>3,319</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities.

## Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction and the date when amounts are paid. The functional currencies of the Group's trading subsidiaries are Sterling (GBP), Yen, Renminbi, Hong Kong Dollar (HKD) and Australian Dollar (AUD). The subsidiaries also make sales and purchases in Euros and US Dollars (USD). The subsidiaries predominantly sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge.

## Notes to the Financial Statements continued

### 23 Financial risk management continued

At each financial period end the percentages of trade receivables and payables in foreign currencies were as follows:

	Trade receivables	Trade payables
<b>2023</b>		
USD	<b>72.6%</b>	<b>33.4%</b>
Yen	<b>5.8%</b>	-
Renminbi	<b>0.5%</b>	<b>5.2%</b>
Euro	<b>2.5%</b>	<b>26.9%</b>
HKD	<b>0.1%</b>	<b>0.2%</b>
AUD	<b>0.1%</b>	<b>1.6%</b>
<b>2022</b>		
USD	72%	157%
Yen	42.5%	3%
Renminbi	31.2%	-
Euro	1.5%	16%
HKD	0.1%	-
AUD	0.1%	-

The parent Company is not considered to have a material exposure to market risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with floating interest rates. The Group seeks opportunities to mitigate interest rate risk both on a Group wide and parent Company level through a combination of fixed and floating interest, balancing this with the risk of securing unfavourable fixed rates and higher pricing. The Group's interest exposure is reviewed periodically to determine opportunities to mitigate the risk. At 31 December 2023, if market interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been £52k (2022: £43k) lower/higher, mainly as a result of lower/higher interest expense on floating rate borrowings.

The parent Company is exposed to interest rate risk through the debt facilities (bank loans) held, any risks associated with this debt is managed centrally alongside the Group risks.

#### Foreign exchange risk

At 31 December 2023, if GBP had strengthened/weakened by 10% against USD with all other variables held constant, post-tax loss for the year would have been £132k (2022: £97k) lower/higher, mainly as a result of foreign exchange gains on translation of USD trade receivables and trade payables. During the year to 31 December 2023, the Group did not enter into forward contracts to hedge against the foreign currency risk on their USD aged receivables (2022: 75% hedged). Net foreign exchange losses recognised in the income statement are £79k (2022: £11k). The parent Company has no exposure to foreign exchange risk.

The summary quantitative data about the Group's exposure to currency risk on trading balances as reported to the Management of the Group is as follows:

	Trade receivables £'000	Trade payables £'000	Net exposure £'000
<b>2023</b>			
USD	<b>2,585</b>	<b>(272)</b>	<b>2,313</b>
Yen	<b>208</b>	-	<b>208</b>
Renminbi	<b>19</b>	<b>(43)</b>	<b>(24)</b>
Euro	<b>91</b>	<b>(219)</b>	<b>(128)</b>
HKD	<b>2</b>	<b>(2)</b>	-
AUD	<b>4</b>	<b>(13)</b>	<b>(9)</b>
<b>2022</b>			
USD	1,942	(459)	1,483
Yen	111	(175)	(64)
Renminbi	133	(95)	38
Euro	37	(104)	(67)
HKD	2	(9)	(7)
AUD	2	(24)	(22)

The following significant exchange rates have been applied during the year:

Currency	Average rate 2023	Year end spot rate 2023	Average rate 2022	Year end spot rate 2022
Euro	<b>0.8697</b>	<b>0.8675</b>	0.8850	0.887075
USD	<b>0.8019</b>	<b>0.7855</b>	0.8296	0.826241
Yen	<b>0.0057</b>	<b>0.0056</b>	0.0062	0.006314
Renminbi	<b>0.1135</b>	<b>0.1108</b>	0.1199	0.119961
AUD	<b>0.5320</b>	<b>0.5350</b>	0.5598	0.564940

## Capital management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the Group may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The Group's policy is to maintain sufficient capital to allow for future investment in growth of the business.

## 24 Issued capital and reserves

	2023 No.	2023 £'000	2022 No.	2022 £'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares at 0.25p each	<b>70,559,774</b>	<b>176</b>	69,776,774	174
	<b>70,559,774</b>	<b>176</b>	69,776,774	174

A former employee exercised share options on 527,000 Ordinary Shares on 2 June 2023 and on 256,000 Ordinary Shares on 26 June 2023 at an exercise price of 0.25p per share as shown in following table. This resulted in Company issuing a total of 783,000 new ordinary shares, with the nominal value of 0.25p per share, increasing the shares in issue from 69,776,774 to 70,559,774.

## 25 Share premium

	Share premium £'000	Share issue expenses £'000	Total £'000
As at 1 January 2022	15,678	(740)	14,938
Issuance of shares	59	-	59
<b>As at 31 December 2022</b>	<b>15,737</b>	<b>(740)</b>	<b>14,997</b>
Issuance of shares	258	-	258
<b>As at 31 December 2023</b>	<b>15,995</b>	<b>(740)</b>	<b>15,255</b>

## 26 Share-based payments

2023	Brought forward '000	Issued in the year '000	Forfeited in the year '000	Exercised in the year '000	Carried forward '000	Exercisable at year end '000
<b>Exercise price</b>						
<b>£0.25</b>	<b>213</b>	-	-	-	<b>213</b>	<b>213</b>
<b>£0.30</b>	<b>1,154</b>	-	<b>(59)</b>	<b>(527)</b>	<b>568</b>	<b>568</b>
<b>£0.3975</b>	<b>1,772</b>	-	<b>(319)</b>	<b>(256)</b>	<b>1,197</b>	<b>252</b>
<b>£0.0025</b>	<b>1,741</b>	<b>670</b>	<b>(311)</b>	-	<b>2,100</b>	-
	<b>4,880</b>	<b>670</b>	<b>(689)</b>	<b>(783)</b>	<b>4,078</b>	<b>1,033</b>

## Notes to the Financial Statements continued

**26 Share-based payments** continued

2022	Brought forward '000	Issued in the year '000	Forfeited in the year '000	Exercised in the year '000	Carried forward '000	Exercisable at year end '000
Exercise price						
£0.25	216	-	-	(3)	213	213
£0.30	1,242	-	-	(88)	1,154	1,095
£0.3975	1,929	-	(77)	(80)	1,772	-
£0.0025	1,580	170	(9)	-	1,741	-
	4,967	170	(86)	(171)	4,880	-

All share options are equity settled and may be exercised upon satisfaction of certain performance conditions including remaining as an employee. The expenses recognised for share-based payments in respect of employee services rendered during the year to 31 December 2023 is £(48)k (2022: £190k).

There are now options outstanding under two share option schemes. Options issued prior to June 2021 ('Legacy Options') and Options issued since the start of June 2021 under the new Long Term Incentive Plan ('New LTIP Options').

Options issued under the new LTIP have an exercise price of 0.25p per share and are subject to three and four year performance conditions weighted 33% on absolute share price performance, 33% on revenue and 33% on EBITDA. They are subject to malus and clawback provisions.

For options exercised in the year, the weighted average share price on the exercise date was £0.90.

**For Legacy Options**

The estimated fair value of the Legacy Options issued in the year was calculated by applying the Black Scholes Model. The weighted average fair value of the options at the measurement date was £nil (2022: £0.57).

The model inputs for Legacy Options were as follows:

	2023	2022
Weighted average share price	<b>£0.7125</b>	£0.7125
Option Exercise Price	<b>£0.0025</b>	£0.0025
Expected volatility	<b>40%</b>	40%
Risk-free interest rate	<b>0.29%</b>	0.29%
Option life	<b>2 years</b>	2 years
Dividend yield	<b>0%</b>	0%

Options vest over a two-year period, with one-third vesting on grant date, one-third on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date. However the option holder does not have the right to exercise the option until a minimum of five years from the option grant date (or earlier with Board approval).

The expected volatility assumption represents Management's estimate of this measure of the rate of fluctuations in the share price over time. It is used in the underlying Black Scholes option valuation model and indicates the level of risk associated with the price changes of a security.

**For New LTIP Options**

The estimated fair value of the New LTIP Options issued in the year was calculated by applying the Black Scholes Model and applying a discount factor for performance conditions. The fair value of the options granted in the year at the measurement date was £0.24 (2022: £0.28).

The model inputs for New LTIP Options issued in the current year were as follows:

	2023	2022
Weighted average share price (restated to reflect share split)	<b>£1.06</b>	£1.12
Expected volatility	<b>20%</b>	20%
Risk-free interest rate	<b>2.87%</b>	0.15%/0.22%
Option life	<b>3-4 years</b>	3-4 years
Dividend yield	<b>0%</b>	0%
Performance condition discount	<b>75%</b>	75%

The weighted average fair value of all New LTIP options in issue as at 31 December 2023 is £0.08 (2022: £0.28). The weighted average remaining life of the New LTIP options is 1.3 years.

## 27 Cash flow hedge reserve

This reserve historically recorded fair value movements on cash flow hedging instruments and represents the movement in fair value of the cash flow hedge contracts outstanding at each period end, net of deferred tax.

## 28 Translation reserve

This reserve records foreign exchange movements on Group balances and represents the retranslation of amounts held in foreign subsidiaries on consolidation.

The gain in the year of £72k (2022: £59k), recognised within other comprehensive income, is attributable to the retranslation of the net assets of overseas subsidiaries, whose functional currency is not the British Pound.

## 29 Retained earnings

Retained earnings represents all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

## 30 Control

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

## 31 Related party transactions

The Group and Company have related party relationships with its subsidiaries and with the Directors. Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group. A list of subsidiaries can be found in Note 14. Intercompany balances are set out in Note 16 and Note 19. In addition to these, details of other related party transactions are set out below.

### Remuneration of key management personnel

The remuneration of the Directors, who are the only key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2023 £'000	2022 £'000
Short-term employee benefits	559	511
Post-employment pension and medical benefits	27	18
Compensation for loss of office	170	-
<b>Total compensation paid to key management personnel</b>		
Employer's National Insurance contributions	84	64
<b>Total</b>	<b>840</b>	<b>593</b>

During 2023, five Directors (2022: two) have pension benefits which are accruing under defined contribution schemes. The employer's national insurance contributions for the key management personnel were £84k (2022: £64k).

During 2023 the parent company paid £nil (2022: £nil) of Directors' fees and legal costs to entities with common directors.

## Notes to the Financial Statements continued

### 31 Related party transactions continued

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2023 £'000	2022 £'000
Remuneration for qualifying services	<b>168</b>	206
Company pension contributions to defined contribution schemes	<b>11</b>	8
	<b>179</b>	214

### Other related party transactions

During 2023 there were no related party transactions.

### 32 Subsequent events

#### Post Balance Sheet Events

On 3 January 2024 the Group acquired 100% of the trade and trading assets of J&J Spirits, trading as Single Cask Nation. Single Cask Nation is a US-based membership society that purchases single cask whiskies and other spirits to distribute and sell direct to consumers and through retail and distribution channels in the USA, UK, Germany, Sweden, Japan, Israel and Canada.

The draft identifiable net assets acquired of £247k comprise cask goods of £98k, other inventory of £74k and customer list of £75k. Consideration includes an initial payment of £159k; further deferred consideration is payable through an earn-out, the value of which is contingent on the performance of the acquired business for the years ending 31 December 2024 and 31 December 2025 and varies between nil and £397k. The initial estimated deferred consideration recognised is £307k, based upon the business' forecasts. Based upon the identifiable net assets acquired, the initial consideration and deferred consideration, the Group identifies Goodwill of £219k, subject to finalisation of fair value on acquisition.

Transaction-related costs of £58k were incurred and expensed during 2023, which are included in exceptional costs as set out in Note 5. The accounting for the acquisition remains draft and will remain under review during the twelve months subsequent to completion.



## Glossary

The following terms apply throughout this document, unless the context otherwise requires:

<b>ABV</b>	Alcohol by volume, a standard measure of how much pure alcohol is contained in an alcoholic beverage by volume.																
<b>ASC</b>	The Artisanal Spirits Company.																
<b>Average Member</b>	Average members over last 12 months, based on month end membership number																
<b>CAGR</b>	Compound annual growth rate.																
<b>Cask wood</b>	A cask, being the wooden barrel that whisky and other spirits are stored in during the maturation process. The type of wood and the previous contents of the cask (for example a cask previously used to store sherry) play an important part in the maturation process and influence the finish or flavour of the whisky or other spirit.																
<b>Churn</b>	Calculated as 1 minus Retention %.																
<b>Contribution</b>	Gross Profit less Sales Commission paid.																
<b>Contribution per member</b>	Contribution per average member.																
<b>CRM</b>	Customer relationship management.																
<b>D2C</b>	Direct to consumer.																
<b>Distillery</b>	A primary production facility where whisky and other spirits are produced through the process of distilling.																
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation.																
<b>Adjusted EBITDA</b>	Earnings before interest, tax, depreciation, amortisation and exceptionals. See Note 6.																
<b>ERP</b>	Enterprise Resource Planning system.																
<b>Expected years</b>	Number of years a new member is expected to remain a member, calculated as 1 divided by Churn.																
<b>FY</b>	Full year period ended 31 December.																
<b>H1</b>	Six-month period ended 30 June.																
<b>H2</b>	Six-month period ended 31 December.																
<b>IPO</b>	Initial Public Offering.																
<b>IWSR</b>	The International Wines and Spirits Record, a private organisation which is a widely used source of market segmentation data and data on global alcoholic beverage trends.																
<b>Lifetime Value (LTV)</b>	Lifetime Value, calculated as annual contribution per average member multiplied by Expected Years.																
<b>Premium, Super-Premium and Ultra-Premium</b>	<p>The use of these terms in this document is in line with the IWSR price bands on spirit categories as set out below:</p> <table border="1"> <thead> <tr> <th>Price band</th> <th>Amount in pounds sterling for a 70cl bottle</th> </tr> </thead> <tbody> <tr> <td>Prestige-Plus</td> <td>Over 225.00</td> </tr> <tr> <td>Prestige</td> <td>75.00 to 224.99</td> </tr> <tr> <td>Ultra-Premium</td> <td>35.00 to 74.99</td> </tr> <tr> <td>Super-Premium</td> <td>28.75 to 34.99</td> </tr> <tr> <td>Premium</td> <td>22.50 to 28.74</td> </tr> <tr> <td>Standard</td> <td>13.50 to 22.49</td> </tr> <tr> <td>Value</td> <td>13.49 and under</td> </tr> </tbody> </table> <p>In this document references to market sizes or market shares are taken to include the IWSR price band referenced and all bands above the band referenced. For example, references to the Premium market includes products falling within each of the Premium, Super-Premium, Ultra-Premium, Prestige and Prestige-Plus price bands.</p>	Price band	Amount in pounds sterling for a 70cl bottle	Prestige-Plus	Over 225.00	Prestige	75.00 to 224.99	Ultra-Premium	35.00 to 74.99	Super-Premium	28.75 to 34.99	Premium	22.50 to 28.74	Standard	13.50 to 22.49	Value	13.49 and under
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<b>Put and call options</b>	An option to buy shares from another party at an agreed price (the call option) or to sell shares to another party at an agreed price (the put option).																
<b>Retention</b>	Calculated as closing members, minus new members in the year, divided by opening members.																
<b>SECR</b>	The streamlined energy and carbon reporting guidance published by the UK Government.																
<b>Single cask Scotch malt whisky</b>	As used in this document means (as distinct from the formal Scotch Whisky Association's (SWA) definition of the term 'single cask') a premium class of whisky in which each bottle comes from the contents of a single individual cask (which may have been re-racked) rather than the more common process for bottled single malt Scotch whiskies of blending together the contents of various casks from the same distillery to provide uniformity of colour and taste. Decisions on the appropriate route for these SMWS whiskies are based on providing the best possible quality and flavour to members of SMWS. As at the date of this document, the significant majority of casks curated by the Group fall within the SWA definition of 'single cask' with the balance being single casks of whisky which have then had a final period of additional maturation in another cask to develop their flavour or provide greater variety.																
<b>SMWS</b>	The Scotch Malt Whisky Society.																
<b>SWA</b>	The Scotch Whisky Association.																

## Shareholder Information

### Annual General Meeting

At the forthcoming AGM one third of the current Directors of the Company shall retire, and being eligible, shall offer themselves for re-election.

The AGM will be held at 9.00 a.m. on 22 May 2024. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

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**Company number SC490305**