ARTISANAL SPIRITS COMPANY

The Artisanal Spirits Company plc
Annual Report 2022

IN GOOD SPIRITS

2022

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

The Artisanal Spirits Company plc (ASC) is building a portfolio of limited edition spirits brands for a global movement of discerning consumers, operating in a significant and growing addressable market.

We are the pioneers of limited edition, single cask whisky. We constantly create new and award winning expressions of the world's most delicious whisky and spirits. We curate the world's most exciting range of limited edition whisky and artisanal spirits to offer a drinking experience like no other. And we are the home of a global community who stand for crafted spirits.

Above all we are passionate advocates for crafted spirits, and the people who create them.

We are The Artisanal Spirits Company.

You can also read our Annual Report online at
artisanal-spirits.com/ar2022

Highlights of the Year

Revenue

£21.8m

+19%

Gross profit

£13.8m

+23%

SMWS member lifetime value*

£1,457

+1%

SMWS membership

37,400

+12%

New Masterton Bond facility

New c£2.5m supply chain completed on time and within budget, with operations commencing in November 2022

Significant investment in spirit

Around £3m investment during FY22 continuing to build on the Group's unique range of outstanding single cask Scotch malt whiskies

Profitable revenue growth delivered

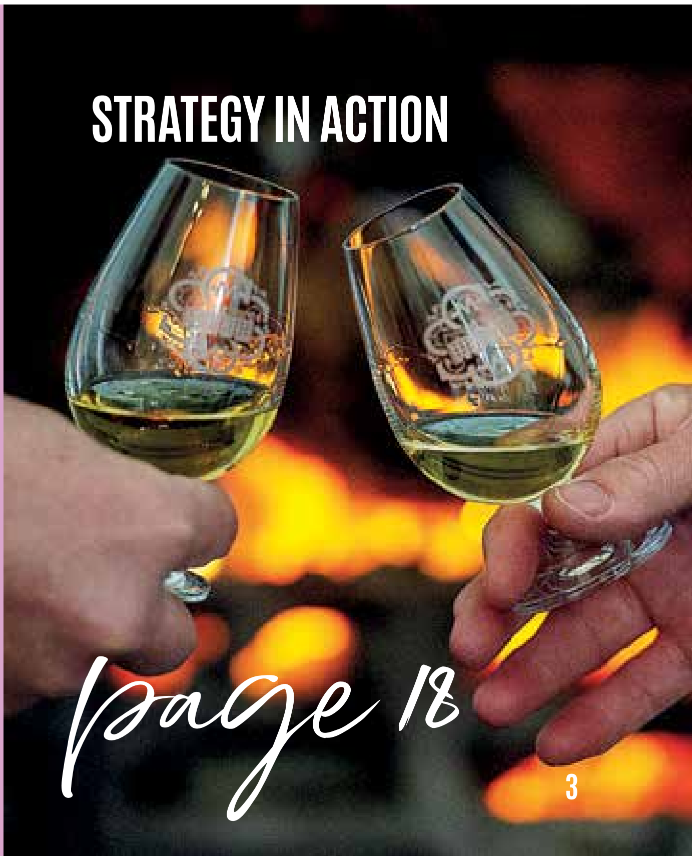
19% revenue growth, combined with increasing gross margin, delivering 23% increase in gross profit

Loyal and growing membership

12% growth in membership, with growth in average member lifetime value also to £1,457

*See note 4 of financial statements and glossary

In This Report



WE CAPTIVATE A GLOBAL COMMUNITY OF WHISKY ADVENTURERS BY REVEALING THE MAGIC OF OUR UNIQUE & OUTSTANDING WHISKY

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.

ARTISANAL SPIRITS COMPANY

The Artisanal Spirits Company (ASC)

Founded to acquire The Scotch Malt Whisky Society in 2015, the ASC ambition is to create a highly profitable and cash generative, global, premium, high quality, high margin business by delivering the world's best whisky experiences.

ASC currently owns two brands, SMWS and J.G. Thomson and intends to continue to build a portfolio of complementary brands. These are supported by the Group's new supply chain facility at Masterton Bond.

The Scotch Malt Whisky Society (SMWS)

SMWS is the leading curator and provider of premium single cask Scotch malt whisky for sale primarily online to a discerning global membership.

SMWS was established in 1983 and currently has a growing worldwide membership of over 37,000 paying subscribers. SMWS provides these members with inspiring experiences and exclusive access to a vast and unique range of outstanding single cask and limited edition Scotch malt whiskies and other spirits from over 20 countries.

THE SCOTCH MALT WHISKY SOCIETY

J.G. Thomson

In November 2021, ASC launched J.G. Thomson, a creator of small batch blended malt whiskies, grain whiskies, rum and gin.

This brand forms part of ASC's long-term growth strategy to expand its addressable market by launching complementary but independent brands without compromising its core SMWS membership proposition. 2022 represented the first full year of trading, with sales momentum growing during the year.

J.G. THOMSON & CO. EDINBURGH

Masterton Bond

Opened in November 2022, the Group's multi-purpose supply chain facility in central Scotland became operational on time and within budget in Q4 2022. The facility has had an encouraging start and has commenced bottling operations with c.20,000 bottles produced, hundreds of casks delivered and first consignments dispatched from site prior to the year end.

Total membership (December 2022)
37,400
+12%

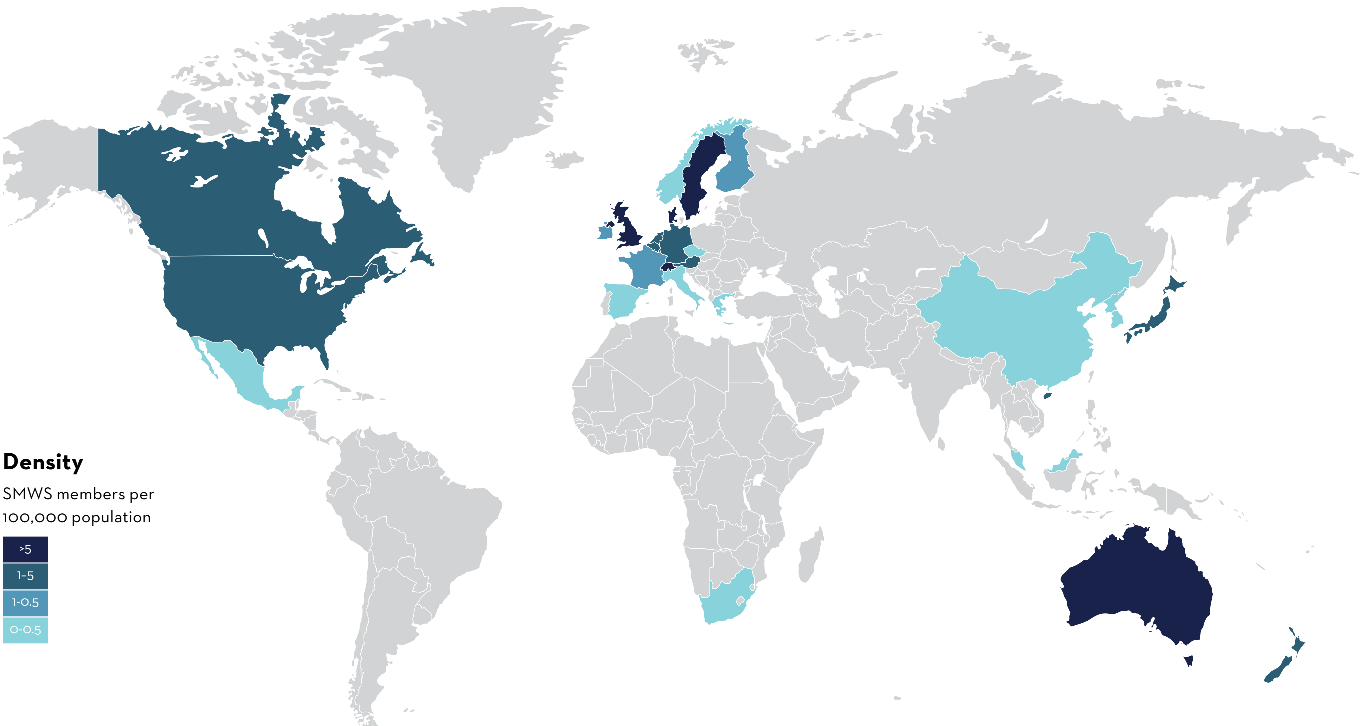
Annual membership retention
77%
no change

Average contribution per member
£339
+2%

Average member lifetime value
£1,457
+1%

Presence
EXPANDING GLOBALLY

SMWS membership



United Kingdom
Where it all began, with establishment of SMWS in 1983. Membership has grown to over 18,000 (48% of global total), with a strong omni-channel offering, including the four UK members rooms (across Edinburgh, Glasgow and London). The strong performance of these venues post Covid restrictions helped deliver strong (28%) UK revenue growth during FY22.

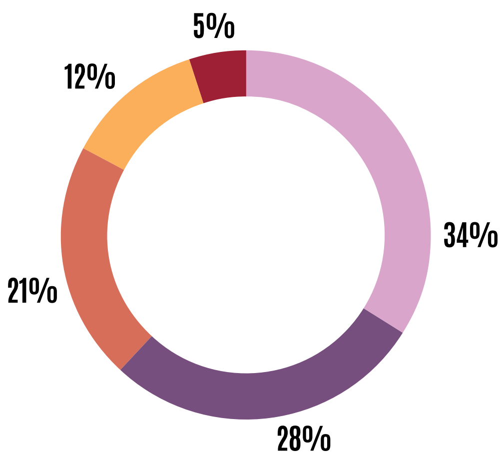
Asia
Represents the Group's fastest growing international region by revenue. China in addition to significant markets in Japan and Taiwan and new routes to market in South Korea and Malaysia mean that Asia now contributes almost 30% of global revenue. Route to market growth in year includes Malaysia and South Korea as part of new Franchise agreements.

North America
The US market is the third largest individual market for SMWS, and the largest global market for ultra-premium Scotch whisky. North America is also home to the Canadian and Mexico SMWS franchises.

Europe
Direct presence across most of Europe including key markets of Germany, France and Sweden, as well as strong franchises in Denmark and Switzerland and recent entry into Spain.

Australia
The Australian business has grown strongly since it was brought into 100% ownership from the previous franchise, in February 2020, representing 5% of global revenue of the Group.

Revenue breakdown by region



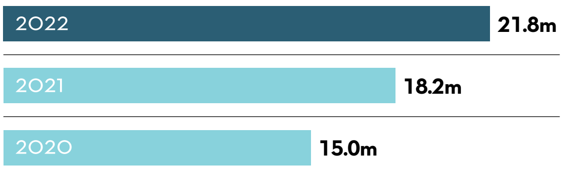
STRONG AND GROWING KPIs

Continued improvement across all key financial & non-financial metrics, demonstrating profitable growth, supported by a loyal, growing & highly engaged global membership, underpinned by a substantial high quality asset base.

FINANCIAL KPIs

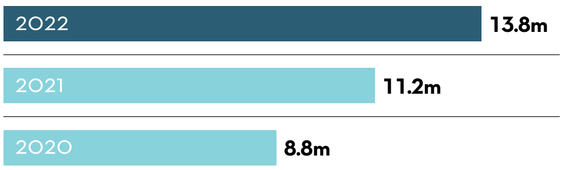
Global revenue

19%



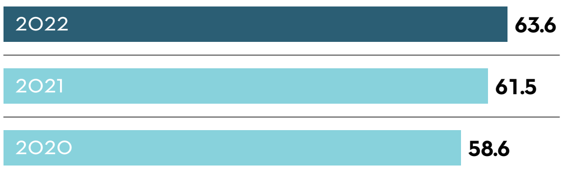
Gross profit

23%



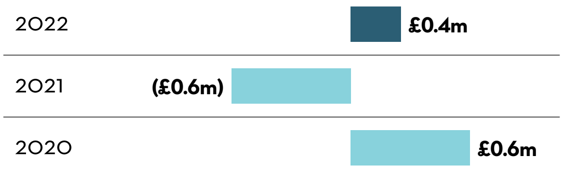
Gross margin

+2.1ppt



Adjusted EBITDA*

+£1.0m



* Adjusted EBITDA defined as earnings before interest tax, depreciation, amortisation and pre-operational losses as set out in Note 6.

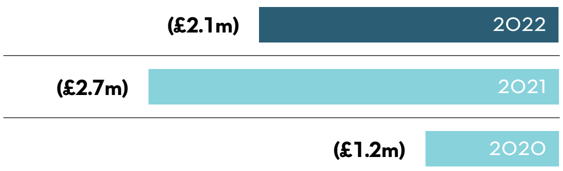
Net debt movement

+£9.5m*

* Defined as Non-current financial liabilities less cash and cash equivalents per Statement of Financial Position movement year on year

Loss Before Tax

+24%



NON-FINANCIAL KPIs

Members

+12%

2022	37,400
2021	33,300
2020	28,300

Lifetime value

£1,457

2022	£1,457
2021	£1,445
2020	£932

Annual membership retention

No change

2022	77%
2021	77%
2020	70%

Annual contribution per member

+2%

2022	£339
2021	£332
2020	£276

Number of casks held

+8%

2022	16,500
2021	15,300
2020	14,000

Retail value of spirit stock*

+15%

2022	£493m
2021	£430m
2020	£341m

* Calculated as no. of litres by 70 cl bottle, multiplied by average selling price in year of a 70 cl bottle. 3.5m bulk litres of stock held within cask stock equating to 5.0m 70cl bottles at an average selling price in 2022 of £99 (exc. VAT).

CONTINUED STRATEGIC PROGRESS

I am delighted to report that 2022 has been another year of significant progress in which we have continued to execute the strategic plan and objectives outlined at IPO focused on our disciplined investment programme and range of operational initiatives to facilitate the Group's long-term, sustainable growth.

The global whisky market continued to deliver compound growth in 2022, maintaining a trend which has now been established for many years with the Ultra-Premium and small batch market, in which we almost exclusively operate, being a stand-out performer. Alongside this, our member venues in the UK have benefitted from more normalised trading for the majority of the year, with a record December most recently bringing unique and memorable experiences to our members in the Group's four member venues in Edinburgh (Queen Street and Leith), Glasgow and Farringdon in London, and enabling marketing and member recruitment events in the UK to return in earnest.

Our model is unique and brings many benefits. Membership, which differs markedly from subscription, is synonymous with exclusivity, embedded customer engagement, relationships and community. This, combined with our powerful direct-to-consumer ("D2C") e-commerce platform, creates a global stage from which to promote and market our limited-edition portfolio of curated whiskies and precisely focus our sales efforts.

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 2022 we further added to our world beating stock of whisky, deploying funds from the IPO to ensure that we have forward stock cover well into the next decade.

ASC continued to substantially develop and progress its infrastructure in 2022. We further invested some of the proceeds raised at IPO in our own state-of-the-art supply chain facility at Masterton Bond, near Glasgow, to bring elements of production, cask storage, bottling, fulfilment and distribution capabilities in-house. Opening on time and within budget in Q4 2022, we expect to see the subsequent anticipated margin benefits of this facility during the course of 2023 and beyond.

The combination of our loyal and engaged members and our unique business model mean that we have managed to increase gross margin by over 2 percentage points, despite the impact of inflationary pressures seen across the wider economy in areas such as labour, raw materials, glass and storage. ASC is fortunate to have a model with high gross margins and a product where the price is relatively elastic.

Our brand continues to grow in awareness and desirability. This year has seen ASC achieve more accolades and global recognition for our outstanding, limited-edition whiskies having now won almost 300 awards in the last few years. We also continually strive to provide a unique and immersive experience for our SMWS members.

To have grown the business in the challenging conditions of last year is nothing short of exceptional and is testament to the quality of our product range and wider membership proposition. To help deliver this growth, we produced in 2022 around 1,000 different limited-edition whiskies, improved our e-commerce platform by continuing to make it even more engaging for our members, grew our recently launched brand, JG Thomson, and hosted hundreds of events worldwide for membership and recruitment.

In addition, SMWS continues to expand its global footprint into new growth markets. We furthered our international reach with a new franchise agreement in South Korea and a new partner, Alliance Drinks, in Malaysia – adding to our existing presence in the fast-growing Asian markets in our sweet spot of the Ultra-Premium Scotch malt whisky sector.

ASC is conservatively financed and has more than sufficient funds to continue to invest in and grow the Group for the medium to long term. In order to continue to provide additional headroom, we have extended our revolving credit facility with RBS, demonstrating the strength of our asset base which is now worth almost half a billion pounds at retail prices today. Our owned stock of spirit, ageing in casks, provides us with all of the liquid required to satisfy our demand beyond the end of FY28.

Our team has continued to develop; without their dedication and hard work, we would not have delivered these excellent results. In turn, the Group strives to deliver an outstanding working environment for its employees, together with the flexibility and respect which enables everyone to thrive. The Board wishes to express its heartfelt thanks to the entire ASC team.

Over the last year the Board has also continued to pursue exemplary standards of corporate governance and we strive to drive 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.

Post the year end, David Ridley and the Board agreed that he would step down as Managing Director of ASC following six years with the Group in that role, during which time the business delivered sustained revenue growth and, in 2021, successfully IPO'd on the London Stock Exchange under his stewardship. The Board would like to thank David for his leadership and significant contribution. He leaves ASC in excellent shape and leaves with our very best wishes for the future.

ASC has a strong and able successor to David in Andrew Dane who was appointed as our new CEO in January 2023. Since joining as Finance Director in 2020, Andrew has demonstrated strong strategic and operational credentials in addition to his proven financial skillset. He knows the business and ASC's wider market structure and has been instrumental in developing and implementing the Group's growth strategy in conjunction with the wider Executive team. These qualities equip him well to provide continued leadership as ASC progresses its strategy to unlock its significant future growth opportunity. Billy McCarter, formerly Group Financial Controller, has been appointed as Interim Finance Director and a search process, comprising both internal and external candidates, to identify a long-term CFO is well underway. Shareholders will be updated on the outcome of this process in due course.

Looking to the future

We have a clear strategy focussed on taking advantage of our global opportunity and achieving and delivering sustainable, profitable growth. This is primarily driven by developing and growing 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 value. Our long-term future is underpinned by fundamental structural tailwinds: convenience, premiumisation, collectability and rarity value, as well as digitalisation, none of which show any sign of abating.

2023 will not be without its challenges. However we are optimistic that economic conditions will improve and confident that our business will navigate whatever headwinds we may face. That said, we benefit from a diversified and global membership who are resilient and mostly affluent. We remain confident that they will continue to enjoy the exclusive benefits and products that membership of SMWS affords.

Revenue growth

+19%

We submitted our response to the Scottish Government consultation on restricting alcohol advertising and promotion. We share the Scotch Whisky Association's concern and support the view that the Scotch whisky industry already follows a robust marketing code which regulates how brands are advertised globally. Similarly, we agree with the Scotch Whisky Association that "many concerns remain unanswered" in relation to the proposed Deposit Return Scheme in Scotland. While we continue to prepare for its scheduled launch in August of this year, we share the wider industry concerns around the impact of this scheme.

We are increasingly well positioned to take advantage of our global opportunity and to achieve our self-imposed goal of doubling revenue from 2020 to 2024. We therefore anticipate further revenue growth in 2023 as we pivot towards growing and sustainable profitability. As we do this, we are committed to doing so responsibly, working within the Scotch Whisky Association's Sustainability Strategy, focused on striving for best practice. ASC is on a journey in this regard, and we continuously seek to improve.

We continue to see a significant opportunity in the American Whiskey segment for ASC. The Board has agreed that some additional time is required to evaluate the various options open to us to ensure we optimise both the structure and our approach in this exciting market. Our enthusiasm for the American Whiskey opportunity remains and we look forward to updating shareholders on our plans in due course.

We have invested in our business and have whisky stocks to satisfy demand into the next decade hedging inflationary costs in our supply chain. Our cash intensive investment phase has now peaked as we enter into a new stage and move towards positive unadjusted EBITDA profitability during the course of 2023 and positive profit before tax for 2024 and remain well positioned for further profitable growth thereafter.

I am grateful to all shareholders for their continued support in difficult year for the markets. ASC is a long-term business and whilst I believe we have played our part to date by consistently delivering on the goals and aspirations set out at IPO, we will continue to be totally focussed on endeavouring to do so again this year and beyond as we grow this unique business.

Mark Hunter
Chair

ANOTHER STRONG YEAR OF DELIVERY

In our first full year as a quoted business, we have successfully delivered on our promises. We have achieved both strategic development, most notably the new supply chain facility at Masterton Bond in Scotland, as well as an impressive financial performance, once again ahead of market expectations, with 19% revenue growth, growing margins and positive progress on our clear path to profitability.

Delivering profitable growth

I have had the pleasure of helping to build our current strategy and help set our clear ambition to double revenue between 2020 and 2024.

It is now my privilege to have the opportunity to lead the business towards achieving that ambition, and to report on the success to date on delivering that.

In 2022, we have made good progress achieving revenue growth ahead of market expectations and adjusted EBITDA improving by £1.0m.

We continue to deliver against our strategic framework and successfully execute our strategy to build a unique portfolio of curated, limited-edition spirit brands for a global movement of discerning consumers, operating in a significant growing market globally with underlying structural change taking place. We also continue to meet, and in many cases exceed, the financial metrics and KPIs put in place at the time of the IPO.

To achieve our ambition, we operate a pioneering model with a loyal and growing membership who can exclusively purchase unique, award-winning, limited-edition whiskies. We aim to innovate relentlessly and deliver our members an outstanding experience through our direct to member platform, generating rich data which provides the Group with detailed customer insight to continually improve and target ever more effectively.

Underlying structural dynamics growing the addressable market

ASC is positioned to benefit from fundamental changes which are driving significant growth within the spirits industry. 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 as repeatedly reported by the leading spirit brands.

Growing global membership

37,400

+12%

Global revenue

£21.8m

+19%

Trends such as premiumisation and experiential demand – 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 D2C model.

As these trends continue, this underpins the growth of the Group's addressable market. The global Scotch whisky market for Ultra-Premium price points (£35/bottle and above) was valued at $7.6 billion in 2021 having grown by 32% since 2020. Of this, $5.8 billion is in markets where we already have a well-established presence. In these markets, ASC has a market share of only 0.3% currently.

Strong SMWS growth

Revenue continued to grow impressively underpinned by the growth in global membership, combined with increasing spend per member.

SMWS Membership

This year saw us grow global membership of SMWS once again, up 12% to 37,400 at the year end. A further benefit of our global reach is that we have a diversified geography with markets performing at different rates of maturity and growth. 2022 experienced particularly strong membership growth in Europe, Australia, the US and Japan. This was driven by a material acceleration of membership sign-ups supported by strong returns on marketing campaigns, as well as effective targeting in those territories to potential new members.

This was also supported by high levels of loyalty from our existing members, delivering recurring revenues with retention rates maintained at last year's historically high level of 77%.

SMWS Revenue

From a revenue perspective, there were standout performances in the year.

Firstly China, where revenue grew 28% despite the very strict Covid lockdown restrictions which impacted the business – in the context of membership recruitment in particular from April 2022 onwards. This result is testament to both the size of the opportunity that exists in this geographic market, as well as the outstanding quality of delivery and service provided by the ASC team.

Share of global membership

Secondly, a strong performance from the UK member venue rooms helped drive the 27% revenue growth in the UK. The Group's four outstanding member rooms – in Edinburgh (Queen Street and Leith), Glasgow and London – rebounded following the easing of UK Covid restrictions in the early part of 2022, finishing the year strongly with record sales in December.

Thirdly, I was pleased to see the positive response from European members following the establishment of a warehouse in mainland Europe in December 2021 to mitigate the Brexit-related logistical challenges which occurred during 2021. This helped to deliver impressive membership growth of 29% (the fastest of any market) and 18% revenue growth.

In the US, membership grew strongly in the period (up by 16%), albeit market depletions were down slightly year on year as the level of bottle sales per member unsurprisingly reduced from the higher levels experienced during the Covid lockdown periods of 2020/21 to their pre-pandemic levels. The revenue effect of these was offset by the timing of shipments and positive movements in FX rates meaning that the total value of revenue grew by 6% in the period.

SMWS International Expansion

Over the past year we have enhanced and extended our international reach in some of the fastest growing markets in the world to take advantage of growth opportunities in those geographies. This follows our entry into Mexico and South Africa in recent years.

In October 2022, the inaugural franchise agreement in Korea, the world's 10th largest market for Ultra-Premium Scotch malt whisky, was signed with F.J. Korea (a market leading distributor). We also strengthened our presence in Malaysia with a new partner, Drinks Alliance, which provides a new route to market and reinforces our footprint in that region.

The Group will continue to seek opportunities to extend the international reach of SMWS with further partnerships and franchise agreements.

First year of trading for J.G. Thomson

We continued to grow our new suite of superior quality spirit and complementary brands under the heritage moniker of J.G. Thomson which is available both to SMWS members and through selected independent retail channels.

The first full year of J.G. Thomson helped deliver over £200,000 of additional revenue to the Group, with most of that arising in H2 through initial exports to La Maison du Whisky in France, as well as cross sales to SMWS members.

We continue to market and build the brand's presence through innovative events such as Fringe by the Sea, an Arts Festival in North Berwick, and at Hamlet by Ian McKellan in partnership with influencers such as Bross Bagels.

The American Whiskey opportunity

We continue to see a significant opportunity in the American Whiskey segment for ASC. To that end, we remain focused on exploring the various options open to us to enter and maximise our opportunity in this exciting market. In order to take the right approach to launch and sustainably grow our operations in this market for the long term, the Board has agreed that some additional time is required to evaluate the various options open to us.

Whilst this will require more time than originally anticipated to ensure we optimise both the structure and our approach; one positive impact of this extension is that short-term EBITDA drag which a launch would be expected to incur would be avoided in FY23. Our enthusiasm for the American Whiskey opportunity remains and we look forward to updating the market on our plans in due course.

Investing for Growth

ASC is financially strong and fully funded to deliver its stated ambitions. Its balance sheet is primarily supported by its whisky stock, and we were delighted to agree the extension to the inventory secured RCF facility with RBS in December 2022 which provides additional flexibility with regards to our investment in our strategic priorities. Overall, we have now materially deployed the IPO proceeds as planned, with key investments in the supply chain facility at Masterton Bond, continued investment in expansion of our spirit and wood stocks and marketing spend to grow membership, as well as ongoing new brand development such as the launch of J.G. Thomson and exploration of the American Whiskey opportunity, and market expansion in Asia in particular.

The Group has accumulated – and is further investing in – our unique range of outstanding single cask Scotch malt whiskies. In 2022 over £5 million was invested in new whisky spirit and wood stocks, increasing the total number of casks to 16,500 (15,300 at the end of 2021) and investing in more ex-sherry casks which now represent 25% of all production. The acquisition of new spirit and the continued appreciation of in-cask whisky will stand us in good stead to satisfy demand in future years, as well as providing a substantial inflation hedge against future increases in the cost of whisky. Our current whisky stocks are sufficient to satisfy our projected demand beyond the end of 2028 and 75% of demand well into the next decade. Stock in cask at the year-end had an estimated retail value of approximately £493 million (31 December 2021: £430 million), representing further value appreciation of a further 15% over the period.

In Q4 2022, we began the initial production phase at our new Masterton Bond multipurpose supply chain facility near Glasgow. With bottling operations commenced, c20,000 bottles were produced prior to the year end. Since then, production has continued to increase with c.70,000 bottles produced as at the date of this report. The facility will provide production, cask storage, fulfilment and distribution of the Group's whisky and other spirit products in due course. We are already beginning to benefit from the improved operating margins (anticipated to be c.2% this year) from this state-of-the-art facility.

The path to profitability

During the course of 2022, we have made significant investments across our business, have a clear strategy to drive profitable growth and anticipate growing EBITDA through 2023, and generating profit before tax in 2024, a goal set at the time of IPO. Continued growth in membership, prudent and selective investment in interesting and rare whisky spirit and wood, conservative financing and international expansion, are the embedded disciplines for growth and sustained future profitability.

Particularly pleasing has been the growth in gross margin which has been faster than forecast, reflecting both underlying improvements in the cost structure (despite wider economic pressures) – supporting the strong inflation hedge provided by ASC's substantial spirit stock – as well as improvements in pricing driven by both product and market mix.

Overall, this has enabled us to deliver a £1.0 million increase in adjusted EBITDA, equating to an equivalent incremental EBITDA margin of almost 30%, lending further support to the significant profit potential of the Group.

Our talent

The Group's key focus is staff development and living ASC's values and the team has come together well following the influx of new staff pre and post IPO. We have a strong culture which develops pride in what we do and respect for others in the business. While we are delighted with the results of our employee survey during the year (and in particular the employee engagement index score of 81), we recognise there is always more to be done in this area and we intend to continue to further develop and implement the talent and organisational development plan originally launched in 2021.

> "We have a pioneering model, a long–term global growth opportunity and we are primed to deliver. We are making significant strategic progress with strong membership growth and delivery of another year of profitable growth supported by improvement across all financial and operational KPIs. Over the last year we have continued to make investment for the future in further spirit and wood, as well as our own supply chain facility, and while the rate of cash spend on this has peaked, we will continue to invest, with a focus for FY23 on IT and technology to deliver and accelerate our growth even further."

Current trading and outlook

Whilst still early in the year, we remain on track to meet our expectations for the full year. Revenue to date has seen growth across many territories including UK and Europe albeit this was offset by the impact of continued Covid in China in Q1. Overall, revenue is broadly flat, lapping a record Q1 in 2022, and we anticipate further strong growth in sales in the second half. Encouragingly, membership has continued to grow, including increasing momentum in China most recently, recording a 10% uplift to date with over 40,000 members worldwide and January 2023 has seen venues continue to trade at record levels.

The Group will benefit from £220,000 (net of fees) in relation to R&D tax credits received in January of this year for 2020 and 2021. We remain on target for the Group's new Masterton Bond supply chain facility to be fully operational early in Q2.

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.

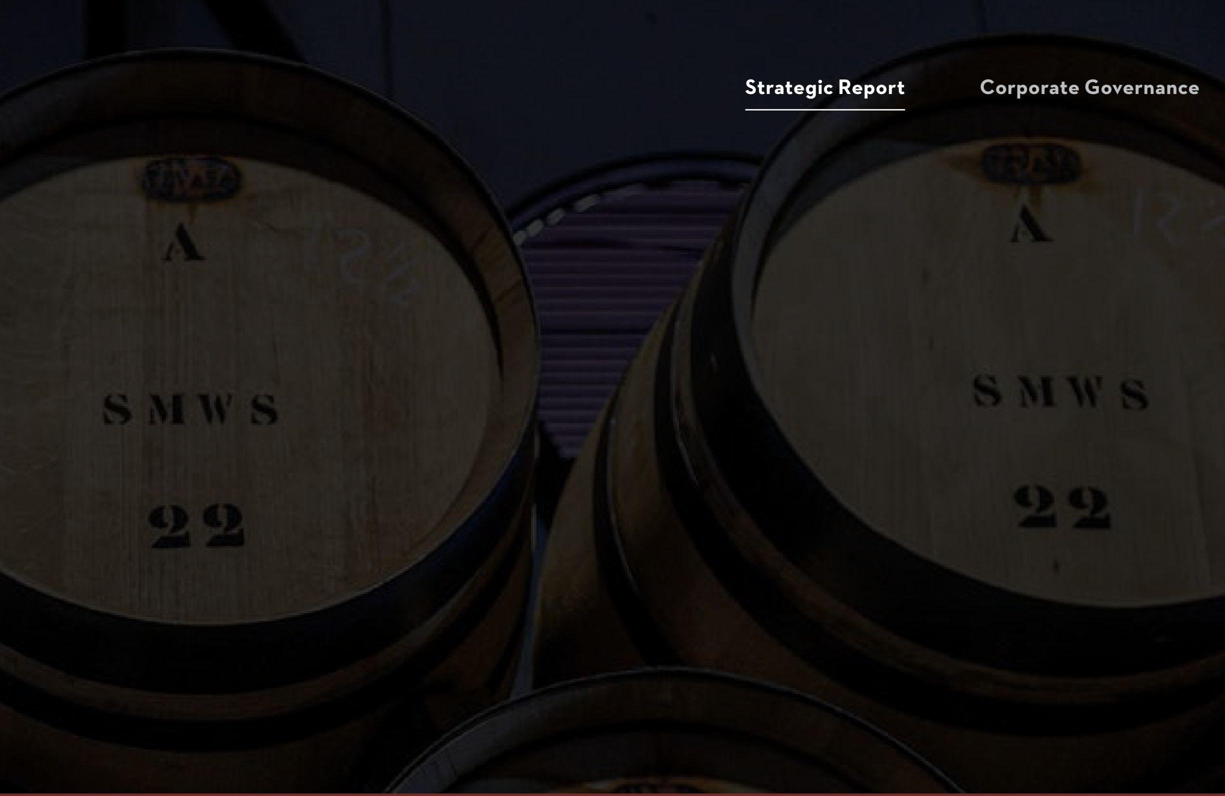
Andrew Dane
Chief Executive Officer

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

We will captivate a global community of whisky adventurers by revealing the magic of our unique & outstanding whisky



Proposition

We create, curate and sell outstanding, limited edition whisky and artisanal spirits to premium drinks lovers around the world

Ambition

To create a highly profitable and cash generative, global, premium, high quality, high margin business by delivering the world's best whisky experiences

Strengths

- Pioneering model
- Long-term global growth opportunity
- Robust business, primed to deliver

Strategic Pillars

- Develop our member proposition & market reach
- Grow digital & physical member experience
- Drive value and volume of liquid consumption
- Create new brands & new audience reach
- Be the best version of ourselves

A UNIQUE AND EXCITING OPPORTUNITY

Our ambition is to create a highly profitable and cash generative, global, premium, high quality, high margin business by delivering the world's best whisky experiences.

Our shorter term ambition is to double sales between 2020 and 2024 and we have demonstrated good progress on this.

Having now invested in the people, systems and platform to support our ambition, we are now beginning to leverage this base on our path to profitability.

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 & 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 & e-commerce growth
- Clear flightpath to double sales 2020-24, delivering meaningful profits in medium term
- Building a growing portfolio of small-batch spirits brands

3 ROBUST BUSINESS, PRIMED TO DELIVER

- Strong financials – with high and growing margin
- Unique and successful sourcing, curation & distribution strategy
- Own the whisky stock to satisfy forecast demand to FY28 (with 75% to FY33)
- Experienced Board and management leading a passionate & engaged team

IF YOU'RE A WHISKY LOVER, FLAVOUR HUNTER OR THRILL SEEKER, YOU BELONG HERE.

As a worldwide whisky club, we lead in flavour above all. We do things differently. The original game-changer, we were set up by a group of pioneers that chased the best tasting whisky in the world. Sharing an ever-changing collection of single cask, rare whiskies – we hold the secret to the best whisky experience. It's that simple.

Come on in, join us on a journey of endless discovery...

What is THE SCOTCH MALT WHISKY SOCIETY?

Global
c65%
revenue from across c30 countries outside UK

Limited edition
250
bottles only typically

Direct to consumer
>90%
of revenue is D2C

Membership
>37,400
paying members

Premium
£99
ASP (exc. VAT)
Over 60% margin.

Buy
>150
distilleries released to date

E-Commerce
>80%
of sales made online

Bottle
>230,000
bottles produced in 2022

We bring together more than 150 distilleries from around the world, to deliver limited edition, award winning spirits to a global community of whisky adventurers.

Why we are DIFFERENT

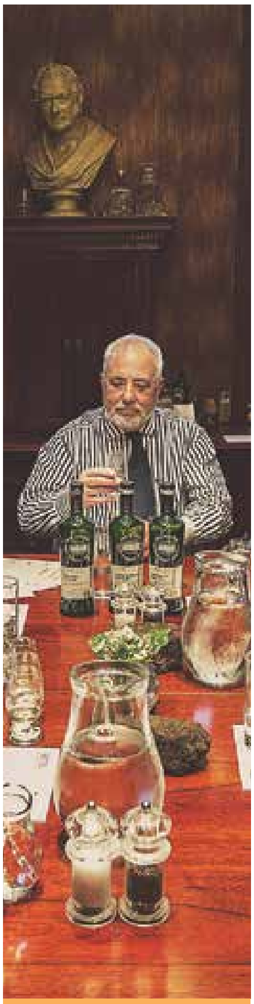
A pioneering business model — and pioneers of whisky

We were the originals that started a movement – which was born from discovery of great-tasting whisky, straight from the cask. This mindset has carried through to the way we run our business today with a pioneering approach to whisky creation and innovation.

We have a proven track record of the creation of a constant stream of unique and award-winning whisky and spirits products – with over 300 awards since 2019, working with more than 150 distilleries. Our single-cask, limited edition philosophy allows us to take a premium brand position, that is primed for 'premiumisation' in the global spirits market.

We make significant investment into younger and new make spirits – as well as ex-sherry casks. We take a fleet-of-foot, innovative approach that delivers high levels of rarity and exclusivity for members. Our credibility and expertise is based on the foundation of heritage and expertise legacy – combined with taking new approaches to cask and spirit curation. Our growing global membership, constantly looking for new flavour experiences, are stimulated by 'fear-of-missing-out' and chatter factor in their whisky experience. This is demonstrated by their high lifetime value and average tenure.

We are committed to creating a constant flow of new and exciting limited-edition releases – demonstrated by the creation of more than 10,000 original 'one off' whiskies since we began.



Whisky releases in year

c1,000

Why we are EXCITING

Ready and positioned for long term growth

We know what the future will look like as we lead a global community march for whisky and crafted spirits enthusiasts.

We have a clear flightpath to double sales between 2020 and 2024 – and are on track to achieve this with an enhanced membership proposition, advanced e-commerce and digital content and the ability to create value and margin improvement.

We operate in the significant and growing addressable $5.8bn market for ultra-premium Scotch malt whisky. There is significant headroom for growth – as we currently hold only 0.3% of global market share (0.9% UK) – in a high value and growing market.

We are uniquely positioned for premiumisation and ecommerce growth – in a market that has seen over 200% of growth in the ultra-premium category between 2011 to 2021 and forecast 66% growth of alcohol e-commerce in the five years to 2025. We are a strong, data rich, direct to consumer business with a growing portfolio of brands and businesses that allow us geographical global reach.

As the Artisanal Spirits Company grows with a portfolio of limited edition and small batch spirits, so too will its team of first class talent future-fit to realise our ambition.

Addressable market

$5.8bn

Why we are PRIMED TO DELIVER

A robust business primed to deliver

We have strong financials with a high and growing margin, 63.5% in 2022 up over 2% versus FY 2021 (and around 5 percentage points since FY 2020).

We have maturing stock – with £493M retail value, having worked with more than 150 distilleries. This includes the addition of more than 3,000 new-make spirit casks added since the start of 2021, equivalent to around 900,000 bottles. This means we have an inflation-proofed asset base – which is also largely recession proof. As a globally-diversified business, we are well-capitalised and fully-funded to deliver to plan. The addition of our new in-house supply chain facility in 2022 will allow further margin gains and production efficiencies.

Our unique sourcing, curation and distribution strategy, coupled with our online consumer-facing model and our 30+ countries global footprint, mean we are ahead of premium peers.

Our people add strength, weight and depth to our ability to deliver. Our Board is made up of senior multi-disciplinary executives from across related industry and professional areas – and our management team have a strong track record in delivery and are highly experienced experts in flavour creation, marketing, ecommerce and international operations.

Retail value of spirit held

£493m

OPERATIONAL LAUNCH OF NEW SUPPLY CHAIN FACILITY

2022 saw the completion of our new Supply Chain Facility, Masterton Bond, as we drive our own bottling, cask storage and fulfilment facility

Investment in the facility, on time and within budget
The new facility at Masterton Bond fit out is now fully operational. We have commenced bottling and cask storage and expect to be at the final stage of fulfilment end Q1/early in Q2 2023.

Not only does the site now ensure all bottling requirements are carried out in-house, it also has capacity to support bottling in line with our growth rates – reducing dependency on third party bottlers.

The site is well located from a logistics viewpoint, within the Central belt of Scotland, adjacent to the main motorway between Edinburgh and Glasgow, allowing us to recruit highly experienced and knowledgeable bottling and production staff.

> "Masterton Bond will deliver a step change in our supply chain performance."

At a glance

Cask Storage end 2022

c300

12.5% of current total capacity

Bottles produced Q4 2022

20,000

Cask processed for bottling Q4 2022

80

OUTSTANDING ASSETS

Over
16,500 *casks,* equivalent to 5 million bottles

Notional retail value of almost **£493** *million*

Potential gross profit of over **£300** *million*

Less than **£5** *per bottle* equivalent cost

100% *coverage*

beyond FY28 and 75% coverage through FY33

During 2022 we produced over

230,000 *bottles*

We produced almost

1,000 *different products*

with no two whiskies the same

These came from over

100 *different distilleries*

from 16 different countries

The average age was over **12** *years*

but we bottled everything from 7 years to 33 years depending on when the spirit was ready

Almost a quarter were peated and a quarter ex-sherry cask but with

75 *different wood types*

UNRIVALLED VARIETY

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; and
4. Caring for the land.

The Group's business operations do not include whisky distilling or growing the required ingredients needed for the process. As such, the Group's ability to impact sustainable water or land usage is limited at present.

The Group is focused 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. The revised packaging introduced in 2021 has already resulted in a significant reduction in protective and unrecyclable plastic. All packaging used for shipping to consumer is 100% recyclable and uses biodegradable components as much as possible.

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 65% in 2020, with a goal of 69% recycled glass by 2025. All decoration on the glass bottles used by the Group is currently 100% recyclable.

Although we think that the DRS scheme is misguided, the Group is preparing for the implementation of the Deposit Return Scheme in Scotland, and the packaging producers Enhanced Producer Responsibilities across the United Kingdom, which are key aspects of the UK's circularity and sustainability strategy. These measures are expected to be in place in 2023.

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.

STAKEHOLDER ENGAGEMENT

Stakeholders are essential 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 2022 the key decisions made by the Board of Directors were:

- Agreeing the strategic direction for the Group over the next 5 to 10 years to drive long-term benefits.
- Launching new franchises in South Korea and Malaysia, continuing to diversify the Group's geographical footprint, and expanding into new markets.
- Approving the move from a franchise to a Joint Venture in Taiwan, one of the world's largest markets for premium whisky, with the JV expected to be in place in mid-2023.
- Bringing the new supply chain optimisation facility at Masterton Bond fully online, improving margins and making operations more efficient and sustainable.
- Securing revised credit facilities with the Royal Bank of Scotland on improved terms.
- Renewing significant contracts to ensure that SMWS venues continue to supply award winning food in venue.
- Recruitment of key members of the Executive Team, including the Head of Technology and the HR Manager.

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 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.	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. Creation of 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, bottlers, 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.

Community and the environment

Who engaged	How we engaged	Outcome
The Board	Continuing development of the Group Environmental, Social & Governance (ESG) approach.	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.

CONTINUED GROWTH DRIVING AIM OF NEAR-TERM PROFIT DELIVERY

Another year of exceeding performance expectation and investing in the future growth of the business.

Strong 2022 performance as the basis for future years delivery

It is a pleasure and honour for me to step into the Finance Director role on an interim basis, following Andrew's move into the CEO role as David Ridley leaves the business. We wish him all the best in his next endeavour. Overall, 2022 was another strong year of performance for the Group with the headlines showing we have exceeded market expectations on revenue and ensuring as a result that we deliver the associated EBITDA profit expectation. Another period of delivery gives us confidence we are on track to continue to meet our future profit objectives in the near to medium term.

To further support the strategy long-term, we have made significant further investment during the year in cask spirit and we also reached a major investment milestone in completing the fit-out and operational commencement of our new self-contained supply chain facility, Masterton Bond. The completion, on time and within budget, allows us to achieve not only margin improvement in the near-term with regards to operational costs, but also allows us to take control of operations from third parties.

Continued improvement in Group financial performance

As a Group, we have delivered revenue, gross profit, adjusted EBITDA and membership growth in the year, this momentum serving to ensure we deliver on the expectations of our growth journey over the next few years.

Revenue growth of 19%, at £21.8 mllion which was a significant achievement, above expectation, resulting in a step-change delivery at an adjusted EBITDA level, our gross margin improvement of 210 basis points a key factor as we manage costs and drive profitable sales. This gives us significant confidence that alongside our strategic plans, we can achieve profit in the near-term as expected. Our adjusted EBITDA achievement excludes pre-operational non-underlying costs relating to Masterton Bond and American Whiskey, which together represented a £0.6 million investment in the year.

Membership has grown 12% over the year and we remain committed to ensuring our membership proposition is strong, always looking to seek improvement and meet member expectations. A maintained retention rate is pleasing in year, and a key focus of our strategic priorities are geared toward improvement of this – ensuring members feel engaged in what we offer, part of a 'whisky club' that has community and togetherness at its heart.

Membership has performed strongly across all regions, with significant growth in Europe and the US, 29% and 16% respectively, supported by 10% in the UK and 5% across Asia. In the US, we have seen the growth come from a 900bps improvement in retention and within the UK the growth is mainly driven by new members. Europe is benefitting from the improved supply following Brexit, and as a result membership has increased across new and renewing members.

Growing Global Revenue

United Kingdom

As the home of the Scotch Malt Whisky Society, the UK remains our longest standing and largest global market, with around half of total membership and around a third of global revenue. In the UK we have a truly omni-channel approach, with four outstanding member rooms complimenting the online presence at www.smws.com. Growth within the UK was a very strong 27%, predominantly driven by our venues recovery from the restrictions of Covid. Online sales continued with another strong year-on-year improvement of 5%, full delivery across the region of £7.4m (2020; £5.8m). As a result, the UK business has reinforced its position as the biggest individual market within the group having contributed 34% of revenue in the year. Membership also grew double digit at 10%.

Asia

The Asian markets continue to be a key area of growth for the business, with China now our second largest overall market after the UK. This is despite the fact that SMWS China only celebrated its five-year anniversary of launch in November 2022. This is a testament to both the size of the opportunity that exists there, as well as the outstanding quality of delivery and service provided by the team.

China revenue grew by 28% in the year, representing the fastest growth of any market. However, this growth was delivered in the face of some very challenging conditions in the country with the rate of growth slowing in H2 as a result of the continued "Zero Covid" policy which was pursued until the tail end of 2022. This impacted both logistics in Q2-22 when some of the strict lockdown periods in Shanghai began, and also the whisky festivals which would normally be a key source of recruitment, but which were cancelled in 2022. This meant that after a record period of membership growth in 2021, and a strong start to 2022, membership at 31st December 2022 was similar to 31st December 2021 at around 1,700 members.

The wider Asian market growth was supported by performance in Japan with double digit revenue growth supported by over 20% membership growth in the year, delivered through both growing recruitment and improvements in retention to an outstanding level of 85%, reflecting the extreme focus by the local team on member satisfaction.

More broadly, we were pleased to announce in October that SMWS had signed a new franchise agreement with F.J. Korea ("FJK") in South Korea, Asia's fourth largest economy and the world's tenth largest market for Ultra Premium Scotch whisky. Alongside that we entered a new partnership agreement in Malaysia, providing a new route to market (the 12th largest market within the global Ultra-Premium Scotch malt whisky sector) and further strengthening the Group's geographic footprint in South East Asia.

North America

The North American market is led by the United States which represented around 19% of total global sales for the year. Membership levels in the US grew strongly in the period, up by 16% and breaking through the 6,000 member milestone. However, in market depletions were down slightly year on year as the levels of bottle sales per member fell from the higher levels during the covid lockdown periods of 2020/21 to their pre-pandemic levels. The revenue effect of these was offset by the timing of shipments and positive movements in FX rates meaning that the total value of revenue grew by 6% in the period. More generally, performance in the Canadian franchise was positive, with sales up 29% and with a very modest contribution from the relatively new Mexican franchise which began operating fully in 2022.

> "Delivery of revenue, gross margin and adjusted EBITDA delivery sets us up strongly for another year of growth."

Europe

2022 performance built on the progress made at the tail end of 2021 with the establishment of a warehouse in mainland Europe, enabling the Group to mitigate Brexit-related logistical challenges and reduce shipping and delivery times to EU members. This new set-up operated throughout 2022 with the dramatic reduction in delivery times and increase in level of online and in person support for membership recruitment and engagement helping to deliver 29% membership growth in the year (the fastest rate of any market) and helping to deliver 18% revenue growth, with the growing number of members also increasing their average spend and contribution in the period.

Australia

Strong performance in the Australian market was led by 24% membership growth in the period, supported by some very strong campaign activations which have now been replicated both in Australia and other markets. This helped to deliver double digit revenue growth in the period, as well as giving a strong basis for further growth in future periods.

Cost base maturation ensuring gross profit delivery and growth delivers EBITDA

As we have invested in our cost base over recent years to deliver growth, we have built a strong and experienced team within the business who have ultimately helped us achieve our growth to date, and although we will always look to invest in skilled employees who bring attributes and new ways of thinking, that investment level is starting to mature. Payroll costs in the year (including share options) were £6.0m (2021; £4.5m), Significant further investment has been made in a new Technology Team, and continues to be made on the digital transformation of the business which will be instrumental in helping us achieve the next stage of our strategic opportunities.

As we enter 2023, our payroll base is maturing, opportunities being specific and tactical as opposed to the last few years of growth and expertise requirement. We will continue to ensure we invest wisely in Advertising and Promotional spend ("A&P"). This helps to ensure we manage costs within a high inflation environment, supporting revenue and EBITDA delivery ambitions. A&P spend saw a 9% year on year increase representing good management and return against the backdrop of our 19% revenue increase and £1.0 million additional adjusted EBITDA delivery.

Other major costs within the year include Share Options costs of £0.2 million (2021: £0.3 million), IT and Systems Costs of £0.7 million (2021: £0.6 million) as we continue to invest and improve in our IT infrastructure to deliver strategic priorities and drive efficiencies, including the new Masterton Bond supply chain facility, which itself had £0.3 million of pre-operational cost expensed within the year. Earnings per share at the end of the year (2.9p) is an improved closing of 2021; (5.9p) our growth and EBITDA conversion delivering on our journey to EBITDA and shareholder return over medium term.

Initial spend on the American Whisky opportunity of £0.3 million spend in year (2021; zero) have given the business a good initial grounding on which to build from as we consider our next move.

Share Incentive Schemes

We have followed up the award of share options in 2021 with further options within the scheme. In 2022, 139,000 new share options were issued, consisting of time vesting options for central office and venue staff, with senior management options all performance related, based on Revenue, EBITDA and Share Price. Further awards under the framework of the existing scheme, with new targets for the forthcoming years, are expected this year.

Balance sheet strength driven by continued cask investment and asset backed funding

Our balance sheet remains strong, with net assets of £22.0 million supported by further investment in year in spirit and wood of around £3 million, as well as

> "Agreement on the extended RCF facility gives us the confidence and facility to meet future growth forecasts, at a reduced interest cost."

> **"Our strategy is working, and we will maintain our confidence in that strategy, ensuring we continue to understand and invest in our membership proposition, achieving new and improved routes to market. This will include 2023 opportunities in Korea and Taiwan, as well as growth in key markets, particularly the US and China."**

around £2.5 million on our self-contained multi-purpose supply chain facility at Masterton Bond. This further investment utilised our RCF facility as planned, as a result net debt at the end of 2022 at £14.7 million, considered well manageable within the remit of our strong asset backed balance sheet, cask spirit stock holding at £23 million.

These investments during the year give us a strong foundation to allow us to meet our future strategic priorities, delivering greater EBITDA and cash conversion as we hold stock coverage for sales through to 2028, and look to drive efficiencies across the supply chain leading to better cost of our finished product through to the end consumer.

Improved inventory secured RCF with Royal Bank of Scotland (RBS)

In Q4, the Group extended its agreement with RBS to increase its existing revolving credit facility to £21.5 million (previously £18.5 million) and also lengthened the term of the commitment until December 2025, broadly extending the term by two years and on better terms saving the Group c.£40,000 per year. The RBS facility provides additional flexibility to expand and grow all aspects of the business including membership, whisky stocks and international reach. As at the end of 2022, the Group had £5 million of unutilised headroom on this facility.

Cash flow driving investment

2022 has been another year of significant investment, delivering business growth beyond expectations and plans, with over £5.5 million invested in spirit and other strategic opportunities, primarily the Masterton Bond supply chain facility completion, resulting in our ability to not only ensure coverage of stock until 2028, but also achieve our offering at a more productive and efficient, self-controlled bottling facility, driving gross margin benefits to the business for future return against investment.

As a result, during 2022, we have drawn down as planned around £10m against our RCF agreement, as the source for the investment required. Our stock position has grown, as we control risks against changes in supply chain with Masterton Bond and a short stock position evidenced in earlier years. Looking forward, as we become cash generative, financing will be at more conservative levels.

Change of External Auditors

Following a number of years with our previous auditors, and our continued maturity, we appointed new external auditors in year, Mazars LLP.

Looking ahead to 2023

We remain positive about our ability to meet our strategic goals in the short, medium and long term following our achievements this year.

Our investment in spirit and supply chain safeguard our ability to deliver to our growth plans and at the heart of all of this, deliver further improvements on our EBITDA and cash conversion, which we have seen in 2022 with regards to the revenue growth.

Our strategy is working, and we will maintain our confidence in that strategy, ensuring we continue to understand and invest in our membership proposition, achieving new and improved routes to market. This will include 2023 opportunities in Korea and Taiwan, as well as growth in key markets, particularly the US and China. The addressable market is significant ($5.8 billion) and growing, with over 50% of this addressable market in China, US, Taiwan and the UK. We are well placed to take advantage of this sizable and expanding market and have the strategy to deliver that growth and look forward to continuing to deliver that profitable growth ambition.

Billy McCarter
Interim Finance Director

Year end RCF headroom:
£5m

Year end net debt movement:
£9.5m

Year end net assets:
£22.0m

MANAGING OUR RISKS

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 Leadership 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 FY22 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
SUPPLY CHAIN RISKS			
The Group is reliant on distilleries to produce the spirits for the Group's maturation process.	The Group does not 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.	↓
The Group's operating results may be adversely affected by disruption to its in-house and outsourced bottling, storage and distribution operations.	Currently the Group mainly carries out bottling at an external bottling site operated by Angus Dundee Distillers Plc at Coatbridge in the UK, and at two other bottling sites. The bottling operations of the Group are expected to move materially to Masterton Bond, the Group's supply chain facility in the first half of 2023. Over half of the Group's stock is stored at a single bonded warehouse facility in the UK provided by John G Russell (Transport) Limited, with the remaining stock distributed 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.	Making use of multiple bottlers and warehousing arrangements spreads and minimises the risk of material disruption and has built in contingency. The Group has brought a range of supply chain services supplied by third parties in-house, and will continue to expand the number of services carried out in-house, reducing reliance on third parties. The Group's optimised supply chain facility at Masterton Bond is now fully operational.	↓

Risk trend
↑ Increasing ÷ Unchanged ↓ Decreasing

Risk	Impact	Mitigation	Movement
SUPPLY CHAIN RISKS continued			
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.	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.	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. The Group's insurance provisions are considered annually and are deemed to be appropriate and sufficient.	Decreasing
BRAND RISKS			
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.	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.	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. 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. As a member of the Scotch Whisky Association, 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.	Unchanged

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
BRAND RISKS continued			
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.	The success of the SMWS and J.G. Thomson brands depend upon the positive image that members have of the product. 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.	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.	Unchanged
An unsuccessful launch of a new brand or product may have an adverse impact on consumer perception of the Group.	Brand and product innovation is a significant part of the Group's plans for future growth. However, the launch of new brands and products is an inherently uncertain process. The profitable lifespan of those brands and products is also uncertain and it largely depends on the consumer reaction to such brands and products.	Market research is undertaken prior to the launch of any new brands, and is reviewed during the lifecycle of each of the Group's products, with changes made following feedback where necessary.	Unchanged
MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND LEGISLATIVE RELATED RISKS)			
The uncertainty and unpredictability caused by Brexit may result in adverse effects for the Group.	The uncertainty and unpredictability concerning the UK's future laws and regulations and relationships with EU member states following Brexit may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements for the foreseeable future.	In the latter part of 2021, the Group established alternate procedures for ensuring delivery of products to the EU and such arrangements will continue to be kept under review to ensure maximum efficiency as this situation evolves.	Decreasing

Risk trend
Increasing | Unchanged | Decreasing

Risk	Impact	Mitigation	Movement
MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT RELATED RISKS) continued			
The Group operates in certain jurisdictions through franchises, joint ventures and partner bars.	SMWS currently has twelve franchise agreements in place covering the sale of products (and franchise operations) in each of Canada, Taiwan, Denmark, Switzerland/ Liechtenstein, New Zealand, South Africa, Mexico, South Korea, Thailand, the Philippines and Malaysia with Taiwan however moving to a new joint venture 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.	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 and 80% of SMWS Japan. The counterparty in China is an individual who is a longstanding professional partner of the Directors. The counterparty in Japan was appointed as the new Managing Director of SMWS Japan at the end of 2021. Both 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.	Decreasing
The Group's overseas operations are reliant on finding and maintaining reputable and appropriate importers, distributors and customer service providers on favourable commercial terms.	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 US. 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.	Unchanged

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
MULTI-JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT RELATED RISKS) continued			
The Group maybe subject to regulatory change or uncertainty.	As a result of its international operations, the Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are sold. There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Group and which may impact our leading markets.	The regulatory framework in each of the jurisdictions which the Group operates in is kept under regular review through industry forums, professional advisers, and in-house experts. The SWA keeps changes to regulation in a number of jurisdictions under review, and regularly consults with member companies on any upcoming changes. The Group operates across a number of different jurisdictions, most of which are well established in relation to the sale of the Group's products, and is not materially dependent on any one jurisdiction or market.	
Changes in tax legislation, or the Group's tax position, could adversely affect the Group's profitability.	Changes to the tax regime (such as an increase in VAT or equivalent taxes) could result in increases in prices of the Group's products to members and/or other consumers and impact demand for the Group's products and its overall profitability.	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.	
Changes in duty rates could adversely affect the Group's profitability.	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
CHANGES TO CONSUMER PREFERENCES			
Demand for the Group's products may be adversely affected by changes in consumer preferences.	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 J.G. Thomson, 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.	↓
The maturation process adopted by the Group takes a number of years to complete, therefore there is a significant period of time between spirit acquisition and the sale of the final product.	Whisky must be matured for a minimum period of three years for it to be identified as 'Scotch whisky'. The Group aims to purchase whisky early in the maturation process. The Group must, therefore, predict what consumer preferences will be in the future when planning which spirits to purchase and the maturation process to be applied to those spirits. Changes to consumer preferences, which are not in line with the predictions made by the Group, may have a negative impact on the price at which the Group's products may be sold and may reduce the market for those products.	The increasing long-term trend toward premiumisation supports the Group's strategy. The purchase of younger spirit brings increased opportunities for greater margin. The Group has maturation storage arrangements including its own capabilities at Masterton Bond.	↓
ECONOMIC RISKS			
The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets.	The Group's results of operations 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. Despite inflationary and cost of living pressures in many of our current markets, we believe that the premium spirits we sell will remain attractive to the members of the SMWS and the Group's customer base.	↕

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
CLIMATE RELATED RISKS			
The Group's business is subject to seasonality and changes in temperature.	There is seasonality in the Group's business due to increased sales around national celebrations in the Group's key markets. If a major unexpected adverse event such as a natural event, economic or political crisis or a failure in the Group's distribution chain were to occur during or in the lead up to these periods, this may result in a reduction in the Group's revenue. Changes in temperature such as extreme hot spells in the summer or extremely cold temperatures in the winter can result in temporary changes in consumer preferences and impact demand for the Group's products.	The Group's operations in different export markets provide a significant mitigation of this risk as it is unlikely that unexpected natural or political events or changes to climatic conditions would affect all markets uniformly.	Unchanged
Changes in climate may have an adverse effect on spirit production.	Fertile land and reliable rainfall are essential to grow the grains used in the production of whisky and other spirits, and to provide a high quality water supply for distilleries.	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.	Unchanged

Risk	Impact	Mitigation	Movement
PERSONNEL RISKS			
The Group's success depends on retaining and replacing key personnel and attracting highly skilled individuals.	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.	Unchanged

Risk trend
Increasing | Unchanged | Decreasing

Risk	Impact	Mitigation	Movement
DATA AND IT RELATED RISKS			
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.	The Group is highly reliant on its information technology 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 information technology systems. As an e-commerce focused 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.	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. The Head of Technology is a member of the Leadership Team and has an expanded team of professional staff tasked with delivering technology change and ensuring the operations of the Group remain as uninterrupted as possible.	Unchanged
OUTSIDE RISKS			
Risks outside the control of the Group may impact its operations.	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. Since December 2019, there has been a rapid spread of Covid-19. Many countries have 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. Due to the continuation of the Covid-19 pandemic globally, it is not possible for the Directors to predict when or if various restrictions will be re-introduced. In general, the spread of Covid-19 could lead to a deterioration in the economies of the countries directly affected and at a global level, with possible negative effects on customers' purchasing power. 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. 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 geopolitical 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.	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.	Unchanged

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
The alcoholic beverage industry is intensely competitive.	The principal competitive factors in the Group's industry include product range, branding, pricing, product quality, distribution capabilities and responsiveness to changing consumer preferences and demand. There can be no assurance that the actions of competitors will not affect the Company and as such, forecasting sales of new or existing products is very difficult. If the Company is unable to remain competitive, the future turnover and profitability of the Company could be materially adversely affected.	The Group maintains an active review of its product range and seeks to diversify its product offering through the creation and launch of complementary brands. Ensuring that the ongoing quality of the Group's product remains at an extremely high level allows the Group to continue to be competitive. The Group's retained expertise and existing relationships across the whisky industry remain as a barrier to entry for any direct competitors.	

OUTSIDE RISKS continued

Risk	Impact	Mitigation	Movement
Expansion into new markets may increase risks for the Group.	The Group may decide, in the future, to expand into new markets in order to aid its growth strategy and increase the overall global footprint of the business. Whilst the Group aims to take appropriate precautions when developing new markets, this may involve greater legal, regulatory and commercial risks than those associated with their current markets.	Market research is undertaken prior to the launch in any new markets, and is reviewed during the lifecycle of each of the Group's products, with changes made following feedback where necessary. Full due diligence is undertaken before any new markets are opened, and all identified legal, regulatory and commercial risks factored into any launch.	
The Group is exposed to foreign currency exchange rate risk that could affect its operating results and comparability of results between financial reporting periods	The Group is subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution network across various jurisdictions. There can be no guarantee that the Group will be able to compensate for or hedge against such exchange rate risks, and therefore exchange rate movements could have a material adverse effect on the Group's business and prospects, and its financial performance.	During the year to 31 December 2022, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2021: 75%) of their USD aged receivables. During the second half of 2022 the Group ceased to implement forward contracts in relation to USD currency hedging due to cash payments to US based subsidiaries effectively netting the currency risk over the period. The Group has no exposure to the fall in the value of the rouble following sanctions in response to the Russian invasion of Ukraine.	

This Strategic Report was approved on behalf of the Board, by Andrew Dane, the Chief Executive Officer, on 29 March 2023.

Andrew Dane
Chief Executive Officer

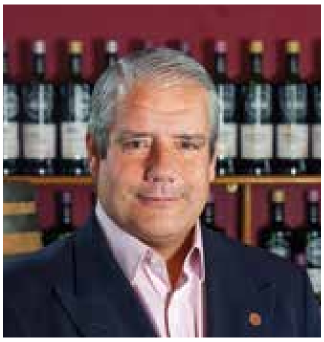
Board of Directors

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 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.



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 US. Paul was CEO and COO of Glenmorangie for five years, Regional Director Asia Pacific at Moet Hennessy, Senior Vice President of Strategy for Moet Hennessy and was a Partner in L Capital, LVMH's sponsored private equity fund focused on the consumer sector.

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.

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).

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

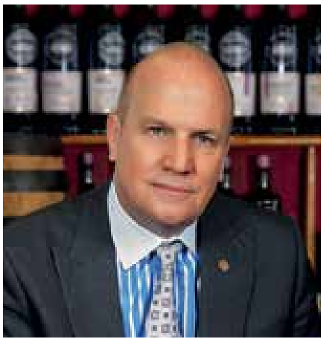
	Mark Hunter	Paul Skipworth	Andrew Dane	Lesley Jackson
Term of Office	Appointed 24 March 2021	Appointed 30 March 2015	Appointed 17 September 2020	Appointed 2 June 2021
Independent	Yes	No	No	Yes
External Appointments	Mark is a non-executive director of TreeHouse Foods Inc. Mark became a director in April 2020 and he is the Chair of their Audit Committee and their Long Range Planning Committee.	Paul is the Managing Partner of Inverleith LLP.	None	Lesley is a non-executive director of Aberforth Split Level Income Trust plc and Devro plc (where she is appointed as the senior independent director and Chair of the Audit Committee).
Committee Membership	Nomination and Governance Committee	Audit Committee Nomination and Governance Committee		Chair Audit Committee Remuneration Committee

Helen Page
Non-Executive Director

Helen has more than 25 years' experience in marketing, innovation, consultancy and customer experience, including over 15 years in financial services. She joined Clydesdale Bank (now Virgin Money UK) in December 2012 and was part of the Executive Team to complete the IPO of the bank in 2016. Helen was Chief Brand Officer of the bank, and was chair of Virgin Money Giving until November 2021.

Prior to joining Virgin Money UK, Helen spent eight years at RBS in a number of roles. She became Managing Director for Marketing and Innovation and held responsibility for all UK brands across the Retail, Commercial and Corporate divisions.

Helen was also Head of Brand Marketing at Argos, where she re-launched the catalogue company as a retailer. Before Argos, Helen held a number of product and marketing roles at Abbey (now Santander), where she became Head of Marketing. She also has experience in research, consultancy and central government roles.

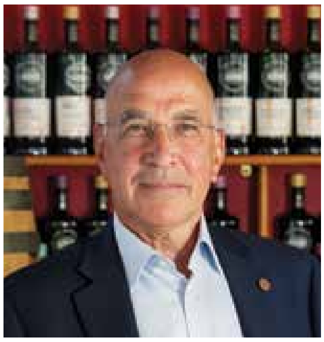


Mark Bedingham
Non-Executive Director

Mark spent 20 years as the Regional Managing Director of Moet Hennessy Asia-Pacific, spearheading the Asia-Pacific growth of Moet Hennessy's portfolio of luxury wines and spirits, including Veuve Clicquot, Moet et Chandon, Hennessy, Dom Perignon, Krug and Glenmorangie, turning the region into the largest contributor to the Moet 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 US. 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 spiritsEUROPE (previously The European Spirits Organisation – CEPS) and held this role in conjunction with his position at the Scotch Whisky Association.

Gavin was appointed non-executive chair of Bladnoch Distillery Limited (2015 to 2017).

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.

	Helen Page	Mark Bedingham	Gavin Hewitt CMG
Term of Office	Appointed 2 June 2021	Appointed 1 September 2015	Appointed 27 March 2015
Independent	Yes	No	Yes
External Appointments	Helen 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 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 chairman of Findr Ltd, a digital platform serving as a market-place for professional photographers. Gavin is also Chairman of the Friends' Committee of Abbotsford, Melrose.
Committee Membership	Chair Remuneration Committee Audit Committee	Audit Committee	Nomination and Governance Committee Remuneration Committee

GOVERNANCE TO ENSURE OUR LONG TERM SUCCESS

I'm pleased to present the Corporate Governance Report for the year ended 31 December 2022. 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 (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, ultimately resulting in the Company emerging from the year with revenue, sales and adjusted EBITDA all slightly ahead of market expectations and giving us confidence as we move through FY23.

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 pages 51-53.

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 2023.

Mark Hunter

Mark Hunter
Chair

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. 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, amongst other things, 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.

The Board reviews reports from the Chief Executive Officer (previously the Managing Director), the Interim Finance Director, 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 six times in 2022.

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 will identify and nominate 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 2022.

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 other senior executives 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 from h2glenfern, the Group's remuneration consultants, 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 five times in 2022.

The Executive and the Leadership team

The Company's Executive Directors in 2022 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 (previously Finance Director) was appointed as Chief Executive Officer. The Group's Executive team consists of The Executive Director, plus Billy McCarter (Interim Director, Finance), Kai Ivalo (Director, Spirits), Rebecca Hamilton (Director, Marketing & e-commerce), Jan Damen (Director, Group Operations & Commercial), Ailsa Suttie (Director, HR) Alec Burrett (Head of Technology) and Douglas Aitken (the Company Secretary and Legal Counsel).

The Executive team is responsible for assisting the Board of Directors in developing, and then 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 seven times in 2022 and held four 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.

The table below reflects the composition of the Board and Board Committees during 2022 and records the number of meetings and members' attendance.

Committee members	Board	Audit Committee	Remuneration Committee	Nomination and Governance Committee
Mark Hunter	7/7			2/2
Paul Skipworth	7/7	6/6		2/2
David Ridley	7/7			
Andrew Dane	7/7			
Mark Bedingham	7/7	6/6		
Gavin Hewitt	7/7		5/5	2/2
Lesley Jackson	7/7	6/6	5/5	
Helen Page	7/7	6/6	5/5	

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 remuneration consultants, the auditors, external legal counsel and other professionals as needed.

Throughout 2022 the Board took material advice from the Nominated Adviser and Broker Singer Capital Markets, 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. All Directors have been advised of the time required to fulfil the role prior to appointment. 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 24 May 2023. 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

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	6/6
Helen Page	6/6
Paul Skipworth	6/6
Mark Bedingham	6/6

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 interim Finance Director 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. 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 has recent and relevant financial experience. Lesley is a Chartered Accountant and is also Chair of the Audit Committee at Devro plc.

The Committee meets at least three times a year and more frequently if required, and has unrestricted access to the Group's auditor. Attendance at Board and Committee meetings is set out in the Corporate Governance Report on pages 51-53.

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). The work carried out by the Audit Committee during FY22 comprised the following:

- Review of the Company's statutory auditors, and operating the audit tender process;
- Reviewing the Committee terms of reference;
- Approving the 2022 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 Corporate Criminal Offence legislation and the Auditor's management letter;
- Review of the risk management process, control framework and risk register;
- Review of the Group insurance arrangements; and
- Approving the QCA Corporate Governance Code Compliance Assurance Framework.

Statutory auditors

Johnston Carmichael LLP were the Company's statutory auditors from 2015 until May 2022. The lead partner was Grant Roger. Mazars LLP were appointed as the Company's statutory auditor in May 2022. The lead partner is Jenny Birch.

Statutory audit

Johnston Carmichael provided audit services for the Company until May 2022. Following the completion of the year end audit process for the year ending 31st December 2021, and the additional requirements of a Publicly Listed entity, a tender process was commenced for appointment as the Companies auditor. Approaches were made to a number of audit firms to participate in the tender process, which included Johnson Carmichael LLP. Presentations and detailed reviews were undertaken with three firms, resulting in the audit committee making a recommendation to the Board in March, for the appointment of Mazars LLP. This recommendation was endorsed by the Board and supported by shareholders in May 2022. Mazars LLP were appointed as statutory auditor and provided audit services to the Company from May 2022.

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 Interim Finance Director 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 2022 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 from Corporate Criminal Offence Audit, 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 2022. 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 were no incidents for consideration.

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-underlying Items. The Audit Committee was comfortable with the approach taken with respect to these matters.

On behalf of the Board
Lesley Jackson
Audit Committee Chair
29 March 2023

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 2022. 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 and 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; and
- Establishing and promoting the Company and the Group's ESG framework for approval by the full Board.

Committee attendance
The Nomination and Governance Committee met formally twice during 2022 with all members present.

Succession planning
The Committee conducted a review of succession plans during the year. 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 Board of the Company was reviewed prior to the admission of the Company in the AIM segment of the London Stock Exchange on 4 June 2021, and a number of changes were made at that time, including the appointment of myself as Chair in March 2021 and the additions of Helen Page and Lesley Jackson to the Board in June 2021. 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 2022. Following the resignation of David Ridley as Managing Director and the appointment of Andrew Dane as Chief Executive Officer in January 2023, the intention is for a long term Chief Financial Officer to be recruited to the Board in 2023.

Nomination and Governance Committee in 2023
The Committee is scheduled to meet at least twice in 2023. The Committee will consider the most suitable candidate for appointment as the Chief Financial Officer of the Company, a post which will also be appointed as an Executive Director of the Board. 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
29 March 2023

Remuneration Committee Report

This Remuneration Report summarises the remuneration paid to the Directors for the year ended 31 December 2022. 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.

Committee members	Meetings attended
Helen Page – Chair	5/5
Gavin Hewitt	5/5
Lesley Jackson	5/5

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 has appointed h2glenfern to provide advice on Executive Director and senior executive remuneration and incentives to provide advice and support on remuneration on an ongoing basis. h2glenfern is a member of the UK Remuneration Consultants Group.

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;
- Align the interests of the Executive Directors with the interests of long-term shareholders;
- Encourage senior executives to operate within the risk parameters set by the Board; and
- 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 consists 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 2022

Throughout 2022, the salaries of the Executive Managing Director and Executive Finance Director were set at £160,205 and £126,072. 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 at 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.

In the light of performance in 2022 including the achievement of the Company's revenue target, corporate and individual performance objectives, the Managing Director David Ridley will be paid an annual bonus of £8,651 (5.4% of salary) and the Finance Director throughout 2022, Andrew Dane will be paid a bonus of £28,366 (22.5% of salary).

Summary of 2022 remuneration

	Salary	Bonus	Pension	Total
David Ridley	£160,205	£8,651	£8,012	£176,868
Andrew Dane	£126,072	£28,366	£7,912	£162,350
Mark Hunter	£75,000	–	–	£75,000
Paul Skipworth	£42,500	–	–	£42,500
Helen Page	£42,500	–	£2,125	£44,625
Lesley Jackson	£42,500	–	–	£42,500
Mark Bedingham	£30,000	–	–	£30.000
Gavin Hewitt	£30,000	–	–	£30,000

The table above shows the value of actual salary received relating to 2022.

The bonus shown is the value of the bonus to be paid in relation to the 2022 financial year (payment to be made in 2023). During 2022, the following bonuses were paid in relation to the 2021 financial year: David Ridley £46k (taken as £21k cash and £25k pension contribution) and Andrew Dane £36k.

Non-Executive Director fees were set at £75,000 per annum for Mark Hunter, Chair, £42,500 per annum for Paul Skipworth, Deputy Chair, and for Lesley Jackson and Helen Page, who chair the Audit and Remuneration Committees respectively, and £30,000 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 2022 are set out below. Nil options were exercised by Directors during the year (2020: 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 2022 was 70 pence. The range of daily closing market prices during the period of the financial year end was 53.5 pence to 96 pence.

Options granted before IPO

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

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	Exercise price	Vesting date
David Ridley	4 June 2021	200,000	0.25p	4 June 2024
Andrew Dane	4 June 2021	319,050	0.25p	4 June 2024
Andrew Dane	4 June 2021	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 2022 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 2022	% of share capital at 31 December 2022
Mark Bedingham*	2,501,476	3.58%
Mark Hunter	1,273,525	1.83%
Paul Skipworth	803,884	1.15%
David Ridley	209,092	0.30%
Gavin Hewitt	74,542	0.11%
Lesley Jackson	64,560	0.1%
Helen Page	53,693	0.08%
Andrew Dane	47,017	0.1%

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

Remuneration in 2023

The Managing Director's (MD) and Finance Director's salaries were increased by 5% plus a fixed sum of £1,000 effective 1 January 2023 to £169,216 and £133,376 respectively, in line with the Company-wide wage increase. On the stepping down of the Managing Director (David Ridley), the new Chief Executive Officer (CEO) salary was increased marginally above MD level to £170,000. David will remain available to support the Group until July 2023 in order to assist with an orderly transition, as required and will continue to be paid as usual during this period. The Company pension contribution remained at 7% of salary, in line with arrangements for the wider workforce.

Annual bonus in 2023 will operate in a similar way to 2022. The Chief Executive Officer and Finance Director 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 revenue target underpin.

The Company intends to make share incentive awards to the Executive Director and other staff across the Group during 2023 to support incentivisation, Group objectives and employee retention.

The Chair and Non-Executive Director remuneration for 2023 will remain at 2022 levels, no increase applicable.

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 2023 AGM.

On behalf of the Board
Helen Page
Remuneration Committee Chair
29 March 2023

As required under the Companies Act 2006, the Directors present their report together with the audited financial statements for the year ended 31 December 2021. The Directors' report, along with the information from the chairman's statement on page 8, to the Statement of Directors responsibilities on page 62 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 2022 (2021: nil).

Directors
The Directors of the Group during the period and to the date of this report are as follows: Mark Hunter, Paul Skipworth, David Ridley, Andrew Dane, Mark Bedingham, Gavin Hewitt, Lesley Jackson and Helen Page.

The names of the Directors, along with their brief biographical details, are given on pages 48–49.

Directors' interests
The Directors' interests in the Group's shares and options over Ordinary Shares are shown in the Remuneration Report on pages 57-59.

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 and future developments are discussed on pages 10-59.

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 eleven subsidiaries; a complete list is provided at Note 14 to the Financial Statements.

Share capital structure
At 31 December 2022, the Group's issued share capital was £174,441.94 divided into 69,776,774 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).

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 2022, 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	17.45%
BGF Investment Management Ltd	6,250,000	8.96%
Mehdi Shalfrooshan	6,125,000	8.78%
Benjamin Thomson	5,675,976	8.13%
Canaccord Genuity Wealth Limited	5,250,000	7.52%
John Dunsmore	3,239,384	4.64%
Birdwing Investments Limited	2,501,476	3.59%
Dowgate Wealth Management Limited	2,288,637	3.28%

Insofar as it is aware, as at 31 December 2022 the percentage of the Group's Ordinary Shares that were not in public hands was 27.89%.

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 (twelve).

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 revolving credit facility was renewed in December 2023 and is not due for renewal until January 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 isn't met. The Group did not make use of government backed borrowing facilities such as the Coronavirus large business interruption loan scheme.

The Group remained compliant with its banking covenants throughout the year to 31 December 2022.

In the context of the above, the directors have prepared cash flow forecasts for the period to 31 April 2024 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 on-going impacts of the Covid-19 pandemic and have modelled scenarios as follows:

1. A base cash flow forecast. The 2023 figures in this forecast are based on the Group's 2022 budget, which is based on board approved forecasts and reflecting current performance, expected revenue growth and 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 assumes a return of a covid-19 outbreak modelling the impact of a full national lock-downs of one month duration as a result of government-imposed restrictions together with an associated reduction in global online sales.

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, is fair, balanced and understandable and provides 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 2022 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 24 May 2023.

The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2022, the re-election of Directors, the 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 29 March 2023.

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. 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 United Kingdom 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 2022 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, Company Statement of Cash Flows for the year ended; and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:
- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and average spends and overhead costs, as described in note 2.6, 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 the signed renewed RCF agreement to confirm the £21.5m available facility and extended term to December 2025, supporting the Groups cashflows over the going concern assessment period of at least 12 months from the date of signing the annual report;
- 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 RCF 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 matters continued

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this 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 2022, the gross value of inventories amounted to £28.5m, as presented in note 15, which representing the largest asset class on the Group balance sheet. Casked goods are the key component of inventories with a value at year-end of £23.4m. Due to its 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 casked goods also provide the security on which the Group's Inventory secured Revolving Credit Facility (RCF) is based. 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 packaging (dry goods), which build the cost of the product 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.	Our audit procedures included, but were not limited to: – Confirming that management have accounted for 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 balances at year-end to purchase invoices during the year to verify that the casks are recorded at the correct cost, and agreeing the allocation of rent and insurance costs of conversion to supporting documentation; – testing of cask depreciation absorbed into stock to ensure it is appropriate; – for bottle stock, confirming that the allocation of casked good cost per bottle reconciled back to the original cask cost, and agreeing dry goods allocations to supporting documentation; 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.
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 2022 of £16.1m, as presented in note 14 and intercompany receivables of £10.0m, as presented in note 16. Investments in subsidiary companies are tested for impairment if impairment indicators exist. 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 cashflow forecasts for each relevant subsidiary. Impairment indicators were identified in some subsidiaries and as such an impairment review was conducted on those investments. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows. We determined that the valuation of investment 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 cashflow 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: – Assessment of the management's impairment indicator's 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, we compared the carrying amount with the expected value of the business based on a discounted cashflow model; assessing management's discounted cashflows, challenging key assumptions and inputs thereon; – challenging management's discount rate with our own calculation based on our valuations experience and sector knowledge; and – evaluating the historical accuracy of management's forecasting against actual results in the period; – Considering the recoverability of intercompany receivables from each subsidiary. **Our observations** Based on the results of audit work performed we consider the methodologies and assumptions used by management in the determination of impairment indicators and subsequent recoverability of carrying values in subsidiaries under IAS 36 to be reasonable.

Our application of materiality and an overview of the scope of our audit
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	£392,000	£283,000
How we determined it	1.8% of Group revenue	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 75% 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 £267,000 which represents 68% 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 £193,000 which represents 68% of overall materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £11,000 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 £9,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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, six of the twelve reportable components, representing 93% of the relevant materiality benchmark (revenue), were subject to full scope audit procedures.

Work was performed by the Group audit team for five of the six 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 five 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 £4,000 and £283,000, 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.

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 62, 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, anti-money laundering regulation, consumer rights laws, data protection, UK market abuse legislation and competition laws, compliance with AIM listing rules and certain aspects of company legislation recognising the nature of the Group's activities.

Auditor's responsibilities for the audit of the financial statements continued
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:
— Gaining an understanding of the legal and regulatory framework applicable to the group and the parent Company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent Company which were contrary to the applicable laws and regulations, including fraud;
— Inquiring of the Directors, 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;
— Reviewing minutes of Directors' meetings in the year; and
— Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

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) going concern, and significant one-off or unusual transactions.

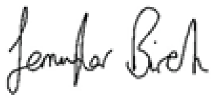
Our procedures in relation to fraud included but were not limited to:
— Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
— Gaining an understanding of the internal controls established to mitigate risks related to fraud;
— Discussing amongst the engagement team the risks of fraud;
— Addressing the risks of fraud through management override of controls by performing journal entry testing;

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and 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 is available on the Financial Reporting Council's website at **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
29 March 2023

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	**21,781**	18,237
Cost of sales		**(7,936)**	(7,026)
Gross profit		**13,845**	11,211
Selling and distribution expenses		**(5,503)**	(4,046)
Administrative expenses		**(9,875)**	(9,694)
Finance costs	6	**(576)**	(348)
Other income	4	**37**	160
Loss on ordinary activities before taxation	6	**(2,072)**	(2,717)
Taxation	8	**359**	(631)
Loss for the year		**(1,713)**	(3,348)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Movements in cash flow hedge reserve		**31**	(113)
Movements in translation reserve		**(59)**	–
Tax relating to other comprehensive loss		**–**	23
		(28)	(90)
Total comprehensive loss for the year		**(1,741)**	(3,438)
Loss for the year attributable to:			
– Owners of parent company		**(2,010)**	(3,653)
– Non-controlling interest		**297**	305
		(1,713)	(3,348)
Total comprehensive loss for the year attributable to:			
– Owners of parent company		**(2,038)**	(3,743)
– Non-controlling interest		**297**	305
		(1,741)	(3,438)
Basic EPS (pence)	10	**(2.9p)**	(5.9p)
Diluted EPS (pence)	10	**(2.9p)**	(5.9p)

Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	**2022 £'000**	2021 £'000
Non-current assets			
Investment property	11	**405**	391
Property, plant and equipment	12	**10,362**	8,377
Intangible assets	13	**2,249**	2,420
		13,016	11,188
Current assets			
Inventories	15	**28,303**	23,719
Trade and other receivables	16	**3,714**	2,968
Cash and cash equivalents	17	**2,331**	2,012
		34,348	28,699
Total assets		**47,364**	39,887
Current liabilities			
Trade and other payables	19	**3,703**	3,949
Current tax liabilities		**405**	277
Financial liabilities	18	**357**	392
Lease liability	20	**360**	259
Forward currency contracts		**–**	31
		4,825	4,908
Net current assets		**29,523**	23,791
Non-current liabilities			
Financial liabilities	18	**16,984**	6,796
Lease liability	20	**2,959**	3,332
Deferred tax liabilities	9	**–**	563
Provisions	21	**580**	407
Total non-current liabilities		**20,523**	11,098
Total liabilities		**25,348**	16,006
Net assets		**22,016**	23,881
Equity			
Called up share capital	24	**174**	174
Share premium account	25	**14,997**	14,938
Translation reserve	28	**(76)**	(17)
Retained earnings	29	**6,685**	8,505
Cash flow hedge reserve	27	**8**	(23)
Equity attributable to parent company		**21,788**	23,577
Non-controlling interest		**228**	304
Net assets		**22,016**	23,881

Approved by the Board for issue on 29 March 2023 and signed on its behalf by:

Andrew Dane
Chief Executive Officer
Company Registration No. SC490305

Company Statement of Financial Position
As at 31 December 2022

	Notes	**2022 £'000**	2021 £'000
Non-current assets			
Property, plant and equipment	12	**4,319**	2,464
Intangible assets	13	**75**	23
Investments	14	**16,111**	16,111
		20,505	18,598
Current assets			
Trade and other receivables	16	**10,970**	14,323
Cash and cash equivalents	17	**13**	100
		10,983	14,423
Total assets		**31,488**	33,021
Current liabilities			
Trade and other payables	19	**569**	372
Financial liabilities	18	**–**	20
Lease liability	20	**211**	110
		780	502
Net current assets		**10,203**	13,921
Non-current liabilities			
Financial liabilities	18	**55**	55
Lease liability	20	**1,828**	2,052
Provisions		**169**	–
Non-current liabilities subtotal		**2,052**	2,107
Total liabilities		**2,832**	2,609
Net assets		**28,656**	30,412
Equity			
Called up share capital		**174**	174
Share premium account		**14,997**	14,938
Retained earnings	29	**13,485**	15,300
Equity attributable to parent company		**28,656**	30,412

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 £2,005k (2021 – £1,673k).

Approved by the Board for issue on 29 March 2023 and signed on its behalf by:

Andrew Dane
Chief Executive Officer
Company Registration No. SC490305

Consolidated Statement of Changes In Equity
For the year ended 31 December 2022

£'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 2020	135	99	12,544	67	(15)	–	12,830	163	12,993
Issue of share capital	39	15,579	–	–	–	–	15,618	–	15,618
Share issue direct costs	–	(740)	–	–	–	–	(740)	–	(740)
Loss for the period	–	–	(3,653)	–	–	–	(3,653)	305	(3,348)
Adjustment to non-controlling interest	–	–	(252)	–	–	–	(252)	252	–
Share-based compensation	–	–	216	–	–	–	216	–	216
Dividend paid	–	–	–	–	–	–	–	(280)	(280)
Investment in subsidiary	–	–	(350)	–	–	–	(350)	(136)	(486)
Other comprehensive gain/(loss)	–	–	–	(90)	(2)	–	(92)	–	(92)
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 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**

Company Statement of Changes In Equity
For the year ended 31 December 2022

Company	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2020	135	99	16,757	16,991
Issue of share capital	39	15,579	–	15,618
Share issue direct costs	–	(740)	–	(740)
Share-based compensation	–	–	216	216
Loss for the period	–	–	(1,673)	(1,673)
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**

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Loss for the year after tax		**(1,713)**	(3,348)
Adjustments for:			
Taxation charged		**(359)**	631
Finance costs		**494**	348
Interest receivable		**(4)**	(5)
Movements in provisions		**10**	3
Share-based payments	26	**190**	216
Investment property fair value movement		**(14)**	–
Lease interest		**82**	–
Depreciation of tangible assets		**1,000**	671
Amortisation of intangible assets		**259**	271
Movements in working capital:			
(Increase) in stocks		**(4,496)**	(2,068)
(Decrease)/increase in debtors		**(746)**	(929)
(Decrease)/increase in creditors		**240**	252
Cash absorbed by operations	6	**(5,057)**	(3,958)
Income taxes paid		**(75)**	(360)
Interest paid		**(494)**	(347)
Net cash outflow used in operating activities		**(5,626)**	(4,665)
Cash flow from investing activities			
Purchase of intangible assets	13	**(88)**	(92)
Purchase of property, plant and equipment	12	**(2,911)**	(1,101)
Purchase of JV China share		**(359)**	–
Interest receivable	4	**4**	5
Net cash used in investing activities		**(3,354)**	(1,188)
Cash flows from financing activities			
Share issue		**59**	14,878
Asset backed lending repaid		**–**	(14,823)
Inventory secured RCF facility	18	**10,300**	6,200
Dividends paid		**(373)**	(385)
Loan received		**–**	93
Repayment of loan		**(148)**	(145)
Repayment of leases		**(354)**	(139)
Net cash from financing activities		**9,484**	5,679
Net increase in cash and cash equivalents		**504**	(174)
Cash and cash equivalents at beginning of year		**2,012**	2,176
Other reserve movements		**–**	10
Non controlling interest movement		**(185)**	–
Cash and cash equivalents at end of year		**2,331**	2,012
Relating to:			
Bank balances and short term deposits		**2,331**	2,012

Company Statement of Cash Flows
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Loss for the year after tax		**(2,005)**	(1,673)
Adjustments for:			
Amortisation of intangible assets		**5**	4
Depreciation of tangible assets		**383**	–
Lease interest		**31**	–
Movements in provisions		**7**	–
Non-cash share option charge		**190**	216
Movements in working capital/shareholder funds:			
(Increase) in debtors		**(336)**	(312)
Increase in creditors		**197**	217
Cash absorbed by operations		**(1,528)**	(1,548)
Net cash outflow (used in)/from operating activities		**(1,528)**	(1,548)
Cash flow from investing activities			
Purchase of intangible assets	13	**(57)**	–
Transfer of casks		**266**	
Purchase of property, plant and equipment	12	**(2,342)**	(302)
Net cash used in investing activities		**(2,133)**	(302)
Cash flows from financing activities			
Share issue		**59**	14,878
Movement of inter-company loan*		**3,689**	(13,610)
Repayment of leases		**(154)**	–
Repayment of loan		**(20)**	(20)
Net cash from financing activities		**3,574**	1,248
Net increase in cash and cash equivalents		**(87)**	(602)
Cash and cash equivalents at beginning of year		**100**	702
Cash and cash equivalents at end of year		**13**	100
Relating to:			
Bank balances and short term deposits		**13**	100

* Movement of inter-company loan classified appropriately in 2022 as 'Cash flows from financing activities'. Prior year accounts recorded within 'operating activities'.

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 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 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 2.7.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The Group does not anticipate that any of the amendments detailed below will have a significant impact on the classification of its liabilities.

IFRS 10	Consolidated Financial Statements	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred
IFRS 16	Leases	Amendments regarding seller-lessor subsequent measurement in a sale and leaseback transaction	1 January 2024
IFRS 17	Insurance Contracts	New accounting standard	1 January 2023
IAS 1	Presentation of Financial Statements	Amendments regarding;	
–		> Classification of liabilities	1 January 2023
–		> Disclosure of accounting policies	1 January 2023
–		> Non current liabilities regarding long term debt with covenants	1 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 28	Investments in Associates and Joint Ventures	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred

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.

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial information of the Company and its subsidiary undertakings (collectively the 'Group' and individually 'Group companies'), made up to 31 December 2021 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 recognise 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 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has 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.

2.5 Transactions

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

2.6 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 revolving credit facility was renewed in December 2022 and is not due for renewal until January 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 isn't met. The Group did not make use of government backed borrowing facilities such as the Coronavirus large business interruption loan scheme.

The Group remained compliant with its banking covenants throughout the year to 31 December 2022.
In the context of the above, the directors have prepared cash flow forecasts for the period to 31 April 2024 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 on-going impacts of the Covid-19 pandemic and have modelled scenarios as follows:
1. A base cash flow forecast. The 2023 figures in this forecast are based on the Group's 2022 budget, which is based on board approved forecasts and reflecting current performance, expected revenue growth and 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 assumes a return of a covid-19 outbreak modelling the impact of a full national lock-downs of one month duration as a result of government-imposed restrictions together with an associated reduction in global online sales.

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.

2.7 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.

2 Accounting policies continued

2.7 Foreign currency transactions continued

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.

2.8 Revenue

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Where the performance obligation is the supply of goods (e.g. whisky, spirits, food, and other point of sale material) which is satisfied at the point in time the goods are transferred to the customer, the Group will recognise revenue at that point in time. Revenue relating to the sale of whisky and other spirits includes excise duty. Payment terms are in advance for customers and partner bars 30 days. US sales are 120 to 150 days.

The Group generates some of its revenue from sales of membership subscription/renewal to members on an annual contract obligation. Here the sales are 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 the China and Japan operations, a customer loyalty programme is operated where members accumulate points for purchases which entitle them to 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 in the Consolidated Statement of Financial Position is the percentage of the total value of unused points at the end of the year.

2.9 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
Casks	20 years
Right-of-use assets	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.

2.10 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impaired losses.

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 stock/ERP systems used within the Group. The software is amortised over four years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

2.11 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.

2.12 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.

2.13 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

2.14 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, both the historical asset backed lending facility, and the inventory secured RCF that replaced it in January 2021, are presented as a financial liability rather than as a negative cash or cash equivalent, in accordance with accounting standards.

2.15 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. loans and receivables, 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.

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.

2.16 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 Accounting policies continued

2.17 Hedge accounting

During the year to 31 December 2022, the Group did not enter into forward contracts to hedge against the foreign currency risk (2021: 75%) of their USD aged 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.

2.18 Inventory Secured RCF

The Company and SMWS entered into a revolving credit facility agreement with RBS on 19 January 2021. Group extended its agreement with RBS to increase its existing revolving credit facility to £21.5 million (previously £18.5million) and also lengthened the term of the commitment 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.

2.19 Equity instruments

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

2.20 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.

2.21 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.

2.22 Leases

IFRS 16 requires management to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has elected not to apply the lessee requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The lease payments for such leases are recognised as an expense on a straight-line basis over the lease term. For all other leases where it is the lessee the Group recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is recognised as the present value of the 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, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal, and site restoration costs.

2.23 Exceptional items

Exceptional items, including those items determined as non-underlying, 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-underlying items recognised in the current and prior period are provided in note 5.

2.24 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.

2.25 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. A corresponding right-of-use asset has been included in fixed assets.

2.26 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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 relate to share-based payments are below.

Exceptional items

Exceptional items, including those items determined as non-underlying, 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-underlying items recognised in the current and prior period are provided in note 5.

Fair Value of Investment Properties

The Group's investment properties are held at fair value, utilising valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

Carrying value of Investments in Subsidiaries

The Group's investments in subsidiaries 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.

Share-based payments

The annual charge in respect of share-based payments is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. As set out in detail in Note 26, 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').

When determining the charge each year, the Directors have made critical accounting judgments on key assumptions. For Legacy Options, these critical judgments include the share price and volatility of the share price in determining the fair value of options granted. In addition, for the New LTIP options, the Directors have made critical judgments in relation to the likelihood of achieving the future performance conditions of these options.

4 Revenue

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker; Revenue by geography and by type.

The chief operating decision maker has been identified as the Executive Team, which is responsible for developing strategy and leading its execution. The Executive Team includes the Managing Director, Finance Director, Spirits Director, Marketing & E-Commerce Director and Group Commercial & Operations Director.

An analysis of the Company's revenue is as follows:

	2022 £'000	2021 £'000
Revenue from sale of whisky	**16,628**	14,439
Membership income	**1,479**	1,591
Revenue from sale of other spirits	**149**	395
Member rooms	**2,025**	1,095
Events and tastings	**827**	467
Other	**673**	250
Total revenue	**21,781**	18,237

An analysis of Group revenue by geographical area is as follows:

	2022 £'000	2021 £'000
United Kingdom (venue)	**3,668**	2,291
United Kingdom (online)	**3,687**	3,497
US (shipments)	**4,353**	4,095
China	**5,002**	3,864
Europe*	**2,014**	1,706
Australia	**1,001**	905
Japan	**800**	729
Rest of World	**1,256**	1,150
	21,781	18,237

* Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.

An analysis of Group KPIs by geographical area is as follows:

2022	Revenue £'000	Year End Members	Average Members	Annual Revenue/Avg Member £	Annual Contribution/ Avg Member £	Retention %	Expected Years	LTV (Avg Members) £
UK	**6,783**	18,029	17,382	390	215	80%	5.1	1,095
United States	**4,353**	6,058	5,560	783	438	69%	3.2	1,415
China	**5,002**	1,659	1,670	2,994	2,125	44%	1.8	3,768
Europe	**2,014**	4,327	3,799	530	110	79%	4.9	534
Rest of World	**1,256**	3,875	3,836	828	371	79%	8.0	1,539
Australia	**1,001**	1,659	1,523	657	332	80%	5.0	1,668
Japan	**800**	1,809	1,651	485	362	85%	6.9	2,487
Total	**21,209**	**37,416**	**35,421**	**599**	**339**	**77%**	**4.3**	**1,457**
Change vs prior year	**+16%**	**+12%**	**+20%**	**-3%**	**+2%**	**–**	**-2%**	**+1%**

2021	Revenue £'000	Year End Members	Average Members	Annual Revenue/Avg Member £	Annual Contribution[1]/ Avg Member £	Retention %	Expected Years[2]	LTV[3] (Avg Members) £
UK	**5,788**	16,445	13,960	415	190	85%	6.7	1,280
United States	**4,095**	5,207	4,804	852	445	60%	2.5	1,123
China	**3,864**	1,732	1,378	2,804	1,956	40%	1.7	3,244
Europe[4]	**1,706**	3,349	3,109	549	169	69%	3.2	541
Rest of World	**1,150**	3,761	3,555	323	203	82%	5.5	1,124
Australia	**905**	1,337	1,227	738	423	85%	6.6	2,790
Japan	**729**	1,496	1,412	516	363	82%	5.4	1,968
Total	**18,237**	**33,327**	**29,445**	**619**	**332**	**77%**	**4.4**	**1,445**
Change vs prior year	**+21%**	**+18%**	**+4.5%**	**+16%**	**+20%**	**+10%**	**+28%**	**+55%**

1 Contribution is a non-IFRS measure, and is defined by Management as Gross Profit less Commission paid in on sales (primarily in relation to the US).
2 Expected Years is a non-IFRS measure, and is defined by Manager as one divided by one minus retention 1/(1-r%).
3 Lifetime Value (LTV) is a non-IFRS measure, and is defined as Annual Contribution per member, multiplied by expected years.
4 Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.
5 Revenue excludes JG Thomson and cask sales of £0.7m as they aren't sales related to membership proposition.

Other operating income

	2022 £'000	2021 £'000
Coronavirus Job Retention Scheme	**–**	50
Government grants (UK)	**–**	105
Government grants (Australia)	**–**	–
Other income	**37**	5
	37	160

Other operating income in 2021 primarily related to furlough payments and other government support for the impact of Covid-19. These payments largely related to the UK venues and their staff. Other income in 2022 is predominantly the ageing of gift vouchers past expiry as well as some interest-type refunds for late payment of VAT refunds from HMRC.

5 Exceptional items

	2022 £'000	2021 £'000
Legal and professional fees	**1**	897
Non underlying American Whiskey pre operational costs	**288**	–
Non underlying Masterton pre operational costs	**342**	–
	631	897

The 2022 non underlying 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.

The 2021 exceptional legal and professional fees are in relation to the June 2021 AIM listing following an IPO. These represent the expenses which were charged to the Consolidated Statement of Comprehensive Income in the period and are in addition to the share issue expenses shown in Note 25. The exceptional items are included within administrative expenses in the Statement of Comprehensive Income. The cash flow statement shows both 'Loss for the year after tax' and 'Cash absorbed by operations' after payments of £897k relating to the exceptional IPO costs which are not part of the underlying cash flow of the Group.

6 Loss for the year

	2022 £'000	2021 £'000
Operating loss is stated after charging:		
Amortisation of intangible assets	**259**	271
Depreciation on tangible assets	**1,000**	575
Cost of inventories recognised as an expense	**6,111**	5,580
Operating loss is stated after charging:		
Net foreign exchange gain(loss)	**11**	(5)
Loss on ordinary activities before taxation:		
Adjusted EBITDA*	**394**	(626)
Depreciation of tangible assets	**(1,000)**	(575)
Amortisation of intangible assets	**(259)**	(271)
Finance Costs – interest on loans	**(494)**	(293)
Finance Costs – leases	**(82)**	(55)
Exceptional items	**(631)**	(897)
Loss on ordinary activities before taxation	**(2,072)**	(2,717)
Loss on ordinary activities before Taxation	**(2,072)**	(2,717)
Add back; Depreciation of tangible assets	**1,000**	575
Add back; Amortisation of intangible assets	**259**	271
Add back; Finance Costs – interest on loans	**494**	293
Add back; Finance Costs – leases	**82**	55
EBITDA	**(236)**	(1,523)
Exceptional items	**631**	897
Adjusted EBITDA	**394**	(626)

Adjusted EBITDA and loss for the year are stated after including £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:

	2022 £'000	2021 £'000
Statutory audit – Company	**40**	30
Statutory audit – Subsidiaries	**126**	100
Tax advice	**-**	7
IPO related fees	**-**	29
	166	166

All non-audit services were provided prior to the IPO and Admission to AIM.

7 Employees

	2022 £'000	2021 £'000
Wages and salaries	**5,373**	3,948
Social security costs	**428**	365
Pension costs	**228**	181
	6,029	4,494

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

	2022 Number	2021 Number
Management	**33**	36
Venue staff	**42**	32
Other support staff	**40**	31
	115	99

All employment costs are recognised in administrative expenses.

8 Income tax

	2022 £'000	2021 £'000
Current income tax		
UK corporation tax		(14)
Adjustment in respect to prior periods	**(250)**	
Foreign tax	**454**	382
Current tax	**204**	–
Deferred tax		
Relating to origination and reversal of temporary timing differences	**(386)**	263
Adjustment in respect to prior periods	**(52)**	
Effect of changes of tax rates	**(125)**	
Tax on ordinary activities	**(359)**	631

	2022 £'000	2021 £'000
Reconciliation of effective tax rate		
Accounting loss before tax	**(2,072)**	(2,717)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2021: 19.00%)	**(394)**	(516)
(Income)/expenses not deductible in determining taxable profit	**(56)**	3
Adjustment in respect of prior years	**(302)**	76
Tax rate changes	**(125)**	
Deferred tax not recognised movement	**64**	
Tax credit for loss not recognised		843
Depreciation on assets not qualifying for tax allowances		66
Foreign tax charge in local tax jurisdiction	**454**	55
Other movements	**–**	104
Total tax charge	**(359)**	631

For the year ended 31 December 2022, the UK corporation tax rate of 19% is applied.

9 Deferred tax

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Deferred tax liabilities	**563**	563	**212**	–
Deferred tax assets	**(563)**	–	**(212)**	–
Net deferred tax liability	**–**	563	**–**	–

Reconciliation of deferred tax liability	**£'000**	£'000	**£'000**	£'000
Opening liability	**563**	324	**–**	–
Adjustment in respect of prior period	**60**	–	**–**	**–**
Recognised in other comprehensive income	**–**	(23)	**–**	**–**
Recognised in profit or loss	**(623)**	262	**–**	**–**
Closing liability	**–**	563	**–**	**–**

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has been substantively enacted at the Statement of Financial Position date and, therefore, is recognised in this financial information. The deferred tax liability has been calculated using 25% on the basis that deferred tax liabilities are not expected to reverse until the rate change has taken effect.

The above represents the Group deferred tax position.

The deferred tax liability is made up as follows:

	2022 £'000	2021 £'000
Origination and reversal of temporary timing differences	**–**	563
	–	563

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 £1,801k which has not been recognised as follows;

	2022 £'000	2021 £'000
Trading losses	**1,501**	–
Temporary trading differences	**300**	–
	1,801	–

10 Earnings Per Share (EPS)

	2022 £'000	2021 £'000
Earnings used in calculation	**(2,038)**	(3,743)
Number of shares	**69,708,374**	63,009,163
Basic EPS (p)	**(2.9p)**	(5.9p)
Number of dilutable shares	**74,746,138**	68,272,288
Diluted EPS (p)	**(2.9p)**	(5.9p)

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.

Following the IPO and successful listing on the AIM stock exchange in June 2021 the A Shares and the B Shares were sub-divided and re-designated as Ordinary Shares on the basis of four Ordinary Shares per A Share or B Share then in issue. In 2020 the A and B shares ranked *pari passu*.

11 Investment property

	Total £'000
Valuation	
As at 1 January 2021	391
Additions	–
As at 31 December 2021	391
Additions	14
As at 31 December 2022	405
Impairment	
As at 1 January 2021	–
Charge for the year	–
As at 31 December 2021	–
Charge for the year	–
As at 31 December 2022	
Carrying amount	
As at 31 December 2021	391
As at 31 December 2022	405

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. As at 31 December 2022, based on a revaluation carried out by independent valuers, in accordance with the RICS Red Book, on behalf of the bank whom provide the bank loans presented in note 18, the Directors continue to consider that the cost is materially equivalent to the valuation.

Rental income achieved in investment property is £25k in 2022 (2021: £12k) with direct operating expense of £1k (2021: £1k)

The properties are residential flats located in Leith, Edinburgh and are owned by Group subsidiary, The Scotch Malt Whisky Society Limited.

12 Property, plant and equipment

Group

	Land and buildings freehold £'000	Land and buildings leasehold £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Casks £'000	Right-of use asset £'000	Total £'000
Cost or valuation							
As at 1 January 2021	678	1,405	498	1,549	2,099	2,181	8,410
Additions	–	36	–	419	646	2,162	3,263
As at 31 December 2021	678	1,441	498	1,968	2,745	4,343	11,673
Additions	–	–	5	2,202	704	162	3,084
As at 31 December 2022	678	1,441	503	4,170	3,449	4,505	14,746
Accumulated depreciation							
As at 1 January 2021	153	957	200	614	227	474	2,625
Charge for the year	15	70	51	230	118	187	671
As at 31 December 2021	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
Net book value							
As at 31 December 2021	510	414	247	1,124	2,400	3,682	8,377
As at 31 December 2022	497	344	197	2,998	2,956	3,370	10,362

£88k (2021: £96k) of the depreciation charge for casks has been capitalised as a cost of stock. The remaining balance has been expensed to the Statement of Comprehensive Income.

Leases are in relation to venues Queen Street in Edinburgh and Bath Street in Glasgow as well as our new Masterton Bond supply chain facility.

12 Property, plant and equipment continued

Company

	Land and buildings leasehold £'000	Assets under construction £'000	Fixtures, fittings and equipment £'000	Right of use asset £'000	Total £'000
Cost or valuation					
As at 1 January 2021	–	–	–	–	–
Additions	36	266	–	2,162	2,464
As at 31 December 2021	36	266	–	2,162	2,464
Additions	–	–	2,076	162	2,238
Transfers	–	(266)	266	–	–
As at 31 December 2022	36	–	2,342	2,324	4,702
Accumulated depreciation					
As at 1 January 2021	–	–	–	–	–
Charge for the year	–	–	–	–	–
As at 31 December 2021	–	–	–	–	–
Charge for the year	–	–	97	286	383
As at 31 December 2022	–	–	97	286	383
Net book value					
As at 31 December 2021	36	266	–	2,162	2,464
As at 31 December 2022	36	–	2,245	2,039	4,319

Assets under construction relate to the new Supply Chain Facility known internally as Masterton Bond.

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

	Venues	Supply Chain Facility	Total
At 31 December 2021	1,332	2,350	3,682
Additions	–	162	162
Disposals	–	–	–
Depreciation	(187)	(287)	(474)
Impairment	–	–	–
At 31 December 2022	1,145	2,225	3,370

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

	Venues	Supply Chain Facility	Total
At 31 December 2021	1,428	2,163	3,591
Additions	–	–	–
Disposals	–	–	–
Interest payment	51	31	82
Repayment of lease liability	(200)	(154)	(354)
At 31 December 2022	1,279	2,040	3,319

13 Intangible assets

Group

	Goodwill £'000	Trade marks £'000	Customer database £'000	Website and computer software £'000	Total £'000
Cost					
As at 1 January 2021	1,323	1,058	416	787	3584
Additions	–	–	–	92	92
As at 31 December 2021	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
Accumulated depreciation					
As at 1 January 2021	–	387	269	329	985
Charge for the year	–	76	57	138	271
At 31 December 2021	–	463	326	467	1,256
Charge for the year	–	77	34	148	259
At 31 December 2022	–	540	360	615	1,515
Net book value					
As at 31 December 2021	1,323	595	90	412	2,420
As at 31 December 2022	1,323	531	61	335	2,249

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.

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. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. In the prior period, discounted cash flows were calculated using a pre-tax rate of 15.6%.

Company

	Customer Database £'000	Website and computer software £'000	Total £'000
Cost or valuation			
At 1 January 2021	30	–	30
Additions	–	–	–
At 31 December 2021	30	–	30
Additions	–	57	57
At 31 December 2022	30	57	87
Accumulated amortisation			
At 1 January 2021	3	–	3
Charge for the year	4	–	4
At 31 December 2021	7	–	7
Charge for the year 2022	4	1	5
At 31 December 2022	11	1	12
Net book value			
At 31 December 2021	23	–	23
At 31 December 2022	19	56	75

14 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2021	1,060
Additions (intercompany loan conversion)	15,051
Additions (share-based payments)	–
At 31 December 2021	16,111
Additions (intercompany loan conversion)	–
At 31 December 2022	16,111

14 Investments continued

Principal Group investments

At 31 December 2022, 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 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.

Dividend payments shown in the Consolidated Cash Flow relate to payments made to the minority shareholder in SMWS China, Christina Leung, who is also the Managing Director of SMWS China.

15 Inventories

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Cask Goods	**23,034**	20,095	**–**	–
Bottled stock	**3,298**	2,279	**–**	–
Other inventory	**1,971**	1,345	**–**	–
Total inventory	**28,303**	23,719	**–**	–

16 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables	**2,581**	2,456	**–**	–
Other receivables	**1,133**	512	**597**	336
Amounts owed by subsidiaries	**–**	–	**10,373**	13,987
	3,714	2,968	**10,970**	14,323

The trade receivables balance is shown net of a provision for £25k (2021: £25k).

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 88% Sterling, 7% Yen, 4% Renminbi, 1% Euro.

17 Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Cash on hand and balances with banks	**2,331**	2,012	**13**	100

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

18 Financial liabilities

		Group		Company	
	Notes	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Inventory Secured RCF		**16,500**	6,200	**–**	–
Asset based lending facility		**–**	–	**–**	–
Bank loans		**784**	913	**–**	–
Other loans		**57**	75	**55**	75
Total financial liabilities		**17,341**	7,188	**55**	75

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:

	2022 £'000	2021 £'000
Current liabilities	**357**	392
Non-current liabilities (1–5 years)	**16,984**	6,796
Total financial liabilities	**17,341**	7,188

No amounts fall due after more than five years.

18 Financial liabilities continued

Reconciliation of the movement in liabilities arising from financing activities:

	Notes	**2022 £'000**	2021 £'000
At the beginning of the year		**10,779**	17,431
Non-cash movements:			
Lease interest		**82**	–
Recognition of new lease liabilities		**–**	2,163
Cash movements:			
Proceeds from new borrowings		**–**	93
Repayment of borrowings		**(148)**	(145)
Lease repayments		**(354)**	(139)
Asset backed lending drawn down		**–**	(14,824)
RCF drawn down		**10,300**	6,200
		20,659	10,779
Represented by:			
Financial liabilities		**17,341**	7,188
Lease liability		**3,319**	3,591

	Balances due within 1 year £'000	Balances due after 1 year £'000	Total £'000
Balance at 31 December 2021	651	10,128	10,779
Cash flows	(502)	10,300	9,798
Non-cash flows	568	(486)	82
Balance at 31 December 2022	717	19,942	20,659

As referred to in Note 2.18, on 19 January 2021, the Group signed a new agreement for a three year committed revolving credit facility. The new facility has since been utilised to repay the outstanding asset-backed lending facility in full and the previous asset-backed lending facility has been terminated.

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, the total facility availability now £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 applicable replacing the original rate of 2.5%.

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.

19 Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade payables	**262**	992	**229**	215
Other payables	**2,548**	2,216	**128**	110
Deferred income	**893**	741	**–**	–
Amounts owed to Group undertakings	**–**	–	**212**	47
Total trade and other payables	**3,703**	3,949	**569**	372

All year end deferred income balances are recognised in full during the following financial year.

20 Lease liability

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current liabilities	**360**	259	**211**	110
Non-current liabilities	**2,959**	3,332	**1,828**	2,052
Capitalised leases	**3,319**	3,591	**2,039**	2,162

Balances relate exclusively to liabilities recognised under IFRS 16.

Measurement of lease liabilities

	£'000
Lease liability recognised as at 1 January 2022	3,591
Add: new leases in the year	–
Less: repayments	(354)
Interest	82
Lease liability recognised as at 31 December 2022	**3,319**

21 Provisions

	2022 £'000	2021 £'000
Dilapidation provisions	**580**	407

Movement in the year:

	£'000
At 1 January 2022	407
Charge to Statement of Comprehensive Income	172
At 31 December 2022	580

Provision for dilapidation costs is in relation to costs to reinstate the properties at the end of each individual lease term. Additional dilapidation costs were recognised in the year for reinstatement of the new 10-year Masterton Bond Supply Chain Facility lease. Existing dilapidation provisions are held for Edinburgh and Glasgow member venues, lease terms ending December 2029 and December 2034 respectively.

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 are 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.

23 Financial risk management continued

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.

Stock valuation

The Group invests significantly in stock which, due to its nature, takes a considerable period of time to mature. As a result, there is a risk that the realisable value of stock falls below the carrying value of stock held by the Group. This risk is mitigated by:

- Diversification of whisky stock (across distillers and locations);
- Regular stock tastings to gain assurance over the quality and taste of the whisky stock; and
- Ongoing review of whisky market developments and trends, across the globe.

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.

2022	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
Expected loss rate	0%	0%	0%	0%	5.46%	
Gross carrying amount	1,944	–	8	171	458	2,581
Loss provision	–	–	–	–	25	25

2021	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
Expected loss rate	0%	1%	3%	0%	2.5%	
Gross carrying amount	–	2,389	37	–	30	2,456
Loss provision	–	24	1-	–	1-	25

As a Group, we have a split of payment for Direct to Consumer orders, which are payment on order, and payments due from Joint Ventures and Franchises, with some having longer term payment agreements than standard, with no history of default, and no expected default.

Prior year incorporated balances at early stage of collection process, where risk this year isn't similar, therefore risk percentages this year are more reflective of expected payment.

Trade and other receivables

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 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	**2022 £'000**	2021 £'000
UK and Europe	**501**	76
North America	**1,942**	2,013
Rest of World	**163**	392
	2,606	2,481

Impairment

The ageing of trade receivables that were not impaired was as follows:

Carrying amount	2022 £'000	2021 £'000
Neither past due nor impaired	**1,944**	2,389
Past due 1–30 days	**–**	37
Past due 31–90 days	**8**	–
Past due 91–120 days	**171**	30
Past due 120 days or more	**458**	–
	2,581	2,456

Management believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour, ongoing commercial relationships and extensive analysis of customer credit risk.

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 2022 and 31 December 2021 was determined to not be significant for trade and other receivables, accrued income and cash and cash equivalents.

Cash and cash equivalents

The Group held cash and cash equivalents of £2,331k at 31 December 2022 (2021: £2,012k) and an revolving credit facility of £16,500k (2021: £6,200k asset-backed lending facility). 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 it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted.

		Contractual cash flows		
31 December 2021	Carrying amounts £'000	Total £'000	2 months or less £'000	2–12 months £'000
Non-derivative financial liabilities				
Trade payables	992	992	966	26
Other payables	2,524	2,524	571	1,953
RCF	6,200	6,200	–	6,200
Lease liabilities	3,591	3,591	43	3,548
	13,307	13,307	1,580	11,727

		Contractual cash flows		
31 December 2022	**Carrying amounts £'000**	**Total £'000**	**2 months or less £'000**	**2–12 months £'000**
Non-derivative financial liabilities				
Trade payables	**262**	**262**	**235**	**27**
Other payables	**2,548**	**2,548**	**212**	**2,336**
Other loans	**57**	**57**	**–**	**57**
Bank loans	**784**	**784**	**–**	**784**
RCF	**16,500**	**16,500**	**–**	**16,500**
Lease liabilities	**3,319**	**3,319**	**60**	**3,259**
	23,470	**23,470**	**507**	**22,963**

23 **Financial risk management** continued

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. Forward currency transactions are entered into as part of the foreign exchange hedging procedures. All such transactions are carried out within the guidelines set by the Board of Directors.

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

2021	Trade receivables	Trade payables
USD	82.0%	7.0%
Yen	4.8%	–
Renminbi	6.9%	–
Euro	1.2%	17.7%
HKD	0.2%	2.8%
AUD	1.1%	3.2%

2022	**Trade receivables**	**Trade payables**
USD	**72%**	**157%**
Yen	**42.5%**	**3%**
Renminbi	**31.2%**	
Euro	**1.5%**	**16%**
HKD	**0.1%**	**-**
AUD	**0.1%**	**-**

Interest rate risk

At 31 December 2022, 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 £42.5k (2021: £25.4k) lower/higher.

Foreign exchange risk

At 31 December 2022, if GBP had strengthened/weakened by 10% against USD with all other variables held constant, post-tax loss for the year would have been £97k (2021: £39k) 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 2022, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2021: 75%) of their USD aged receivables.

The summary quantitative data about the Group's exposure to currency risk (excluding the impact of USD forward contracts noted above) as reported to the management of the Group is as follows:

2021	Trade receivables £'000	Trade payables £'000	Net exposure £'000
USD	2,013	(69)	1,944
Yen	109	–	109
Renminbi	156	–	156
Euro	26	(176)	(150)
HKD	4	(28)	(24)
AUD	7	(31)	(24)

2022	**Trade receivables £'000**	**Trade payables £'000**	**Net exposure £'000**
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 2022	Year end spot rate 2022	Average rate 2021	Year end spot rate 2021
Euro	**0.8850**	**0.887075**	0.8553	0.8403
USD	**0.8296**	**0.826241**	0.7268	0.7390
Yen	**0.0062**	**0.006314**	0.0066	0.0064
Renminbi	**0.1199**	**0.119961**	0.1126	0.1163
AUD	**0.5598**	**0.564940**	0.5457	0.5371

The foreign exchange risk of USD trade receivables is partly mitigated by the use of forward contracts.

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

	2022 No.	2022 £'000	2021 No.	2021 £'000
Allotted, called up and fully paid				
Ordinary 'A' Shares (historically at 1p each, then post split at 0.25p each)			–	–
Ordinary 'B' Shares (historically at 1p each, then post split at 0.25p each)			–	–
Ordinary shares at 0.25p each	**69,776,774**	**174**	69,605,774	174
	69,776,774	**174**	69,605,774	174

Following the IPO and successful listing on the AIM stock exchange in June 2021 the A Shares and the B Shares were sub-divided and re-designated as Ordinary Shares on the basis of four Ordinary Shares per A Share or B Share then in issue.

Immediately prior to Admission to AIM, the a total of 535,274 share options (pre-share split) were exercised, equivalent to 2,141,096 share options post share split (see Note 26 for details). On 4 June 2021, the Company issued 13,392,858 New Ordinary Shares, with a nominal value of 0.25p per share, and an issue price of 112p per share. The combination of these two sets of transactions generated a total of 15,533,954 new shares being sold, increasing the number of shares in issue from 54,071,820 to 69,605,774.

A former employee exercised share options on 171,000 Ordinary Shares on 31 May 2022, 0.25p per share at exercised price as shown in following table. This resulted in Company issuing a total of 171,000 new ordinary shares, with the nominal value of 0.25p per share, increasing the shares in issue from 69,605,774 to 69,776,774.

25 Share premium

	Share premium £'000	Share issue expenses £'000	Total £'000
As at 1 January 2021	99	–	99
Issuance of shares	15,579	–	15,579
Share issue expenses	–	(740)	(740)
As at 31 December 2021	15,678	(740)	14,938
Issuance of shares	59	–	59
Share issue expenses	–	–	–
As at 31 December 2022	15,737	(740)	14,997

Immediately prior to Admission to AIM, the a total of 535,274 share options (pre-share split) were exercised, equivalent to 2,141,096 share options post share split (see Note 26 for details). On 4 June 2021, the Company issued 13,392,858 New Ordinary Shares, with a nominal value of 0.25p per share, and an issue price of 112p per share. The combination of these two sets of transactions generated a total of £15,579,000 new share premium. The year end share premium is then shown net of the relevant direct share issue expenses incurred.

A former employee exercised share options on 171,000 Ordinary Shares on 31 May 2022, 0.25p per share at exercised price as shown in following table. This resulted in Company issuing a total of 171,000 new ordinary shares, with the nominal value of 0.25p per share, increasing the shares in issue from 69,605,774 to 69,776,774.

26 Share-based payments

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	–

2021	Brought forward ‘000	Issued in the year ‘000	Forfeited in the year ‘000	Carried forward ‘000	Exercisable at year end ‘000
Exercise price					
£0.25	856	–	(640)	216	–
£0.30	2,668	–	(1,426)	1,242	–
£0.3975	2,004	–	(75)	1,929	–
£0.0025	–	1,580	–	1,580	–
	5,528	1,580	(2,141)	4,967	–

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 2022 is £190k (2021: £216k).

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 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 £0.57 (2021: £0.57) – both restated.

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

	2022	2021
Weighted average share price (restated to reflect share split)	**£0.7125**	£0.7125
Option Exercise Price	**£0.0025**	£0.0025
Expected volatility	**40%**	40%
Risk-free interest rate	**0.29%**	0.29%
Option life	**2 years**	2 years
Dividend yield	**0%**	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 weighted average fair value of the options at the measurement date was £0.28 (2021: £0.28).

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

	2022	2021
Weighted average share price (restated to reflect share split)	**£1.12**	£1.12
Expected volatility	**20%**	20%
Risk-free interest rate	**0.15%/0.22%**	0.15%/0.22%*
Option life	**3-4 years**	3-4 years
Dividend yield	**0%**	0%
Performance condition discount	**75%**	75%

* 0.15% for 3 year options, 0.22% for 4 year options.

Of the total of 1,366,900 New LTIP Options issued, 853,450 had performance conditions covering a three year period, and 513,450 had performance conditions covering a four year period.

27 Cash flow hedge reserve

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

	2022 £'000	2021 £'000
Cash flow hedge reserve	**8**	(23)

This reserve is used to recognise only the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

28 Translation reserve

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

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 notes 16 & 19. In addition to these, the below sets out details of other related party transactions.

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.

	2022 £'000	2021 £'000
Short-term employee benefits	**511**	644
Post-employment pension and medical benefits	**18**	25
Total compensation paid to key management personnel		669
Employers national insurance contributions	**64**	127
Total	**593**	796

In 2022, three Directors (2021: three) have pension benefits which are accruing under defined contribution schemes. The employer national insurance contributions of the key management personnel is £64k (2021: £127k).

No options and LTIPS were awarded to Directors in 2022.

During 2022 the parent company paid nil (2021: £56k) of Directors' fees and legal costs to entities with common directors.

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

	2022 £'000	2021 £'000
Remuneration for qualifying services	**206**	202
Company pension contributions to defined contribution schemes	**8**	18
	214	220

32 Subsequent events

Other related party transactions

During 2022 there were no related party transactions

Post Balance Sheet Events

There are no material post balance sheet events.

Glossary

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

ABV	Alcohol by volume, a standard measure of how much pure alcohol is contained in an alcoholic beverage by volume.
ASC	The Artisanal Spirits Company.
CAGR	Compound annual growth rate.
Cask wood	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.
Churn	Calculated as 1 minus Retention %.
Contribution	Gross Profit less Sales Commission paid.
CRM	Customer relationship management.
D2C	Direct to consumer.
Distillery	A primary production facility where whisky and other spirits are produced through the process of distilling.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptionals. See Note 6.
ERP	Enterprise Resource Planning system.
Expected years	Number of years a new member is expected to remain a member, calculated as 1 divided by Churn.
FY	Full year period ended 31 December.
H1	Six-month period ended 30 June.
H2	Six-month period ended 31 December.
IPO	Initial Public Offering.
IWSR	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.
LTV	Lifetime Value, calculated as annual contribution per average member multiplied by Expected Years.
Premium, Super-Premium and Ultra-Premium	The use of these terms in this document is in line with the IWSR price bands on spirit categories as set out below:

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

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.

Put and call options	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).
Retention	Calculated as closing members, minus new members in the year, divided by opening members.
SECR	The streamlined energy and carbon reporting guidance published by the UK Government.
Single cask Scotch malt whisky	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.
SMWS	The Scotch Malt Whisky Society.
SWA	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 24 May 2023. The Notice of Meeting will be separately distributed to shareholders.

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