RNS Number : 5486D
Artisanal Spirits Company PLC (The)
10 September 2024

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The Artisanal Spirits Company plc
('Artisanal Spirits', 'ASC' or 'the Group')

Interim Results for the Six Months to 30 June 2024

H1 profit improvement and on track for full year delivery

The Artisanal Spirits Company (AIM: ART), the creator of outstanding, limited-edition whiskies and experiences around the world, and owner of The Scotch Malt Whisky Society ("SMWS"), Single Cask Nation & J.G. Thomson, is pleased to announce its half year results for the six months ended 30 June 2024.

H1 Performance Summary

- £1m of EBITDA improvement on prior year, which on relatively flat revenue year on year, reflects SMWS membership growth of 4% to 40,300 (H1 2023; 38,700), recurring cost efficiencies of £0.75m and gross profit margin improvement of £0.25m (2 ppts).
- Increasing revenue diversification to manage the industry and economic headwinds, most notably China, is demonstrated through launches in the important new markets of Taiwan and Korea, alongside the acquisition of Single Cask Nation and growth in cask sales.
- An independent cask spirit valuation in June of just over £100m following an independent assessment representing around 4x our current Net Book Value "NBV" of cask spirit and Net Debt.
- Following significant investment in the cask inventory, we now hold all spirit required to meet demand through to the next decade. As a result, the cash profile of the Group is improving, and net debt has peaked, as we transition from material net cash investments in stock to a replenishment approach.
- Further industry recognition celebrating the quality and uniqueness of our product offering, with awards for SMWS, JGT and SCN releases in 2024 including Independent Bottler of the Year for SMWS and SCN at the World of Whiskies and New York International Spirits Competition respectively.

Outlook

- H2 initiatives include further international expansion, two completely new Scotch Malt Whisky distillery releases and the refresh of our range to ensure it continues to reflect current consumer trends, resulting in new releases such as the inaugural 'Creators' Collection' alongside the 2024 'Winter Series' collection.
- Trading to date in H2 has seen us consolidate the improved profitability in H1, which alongside the expected H2 revenue delivery from core markets at similar levels to FY23, planned US shipments and continued cask sales, ensure we remain on track to meet FY consensus EBITDA.

£'m	**Note**	**6 months to 30 June 2024**	**6 months to 30 June 2023**	**% change**
Revenue	6	10.1	10.2	(1%)
Gross profit		6.4	6.2	3%
Gross margin		63%	61%	2ppt
EBITDA	9	(1.0)	(2.0)	50%
Loss before tax	9	(3.1)	(3.5)	11%
Loss after tax		(3.2)	(3.6)	11%
Net Debt		(27.0)	(18.8)	(44%)
Cask inventory	14	26.5	23.9	11%
Cask inventory valuation*		102.0	-	-
Notional retail value of cask inventory+		507.0	492.0	3%

**Cask inventory valuation based on anindependent valuationcompleted bysector experts.*
+Notional retail value is a non IFRS measure and is calculated as total litres of spirit in casks, converted to bottle equivalent (based on 70cl) multiplied by average net revenue per bottle in

the period.

Operational highlights:

Global membership			
'000s	**June 2024**	**June 2023**	**% change**
Europe	24.4	25.0	(2%)
Asia	5.5	4.2	31%
Americas	8.5	7.5	13%
Other*	1.9	1.9	-
Total members	**40.3**	**38.7**	**4%**
**Other represents Australia, New Zealand and South Africa*			

Andrew Dane, CEO of Artisanal Spirits Company, commented:

"We have delivered a creditable performance and made good progress on our journey towards profitability despite challenging trading conditions prevailing in some markets. We continue to focus on attracting and retaining higher quality members, whilst maintaining a well-controlled cost base.

"Our proven strategy of investing in whisky stock has built an impressive inventory to satisfy our requirements well into the next decade, as well as delivering a significant uplift in value creation, with the current cask value of just over £100m. Correspondingly, the Group now only needs to acquire stock on a replenishment basis, thereby significantly improving the future cash profile of the business.

"Single Cask Nation has integrated well and is performing to expectation. Our revenue streams and the geographies in which we operate are becoming increasingly diverse, further limiting our exposure to any given market. This together with the actions we're taking now are building this unique business for the longer term to the benefit of all shareholders.

"We enter H2 with a clear strategy, a focus on delivery of the key drivers of profitability in the year across cask sales and US shipments and remain confident of meeting FY24 EBITDA expectations."

Investor presentation

Andrew Dane (CEO) and Billy McCarter (CFO) will provide a live presentation relating to the Interim Results via Investor Meet Company on 10 September 2024 at 17:00 BST. Investors can sign up to Investor Meet Company for free and add The Artisanal Spirits Company via:https://www.investormeetcompany.com/the-artisanal-spirits-company-plc/register-investor

The presentation is open to all existing and potential shareholders. Questions can be submitted prior to the event via the Investor Meet Company dashboard until 09:00 BST on 9 September 2024, or at any time during the live presentation.

For further enquiries:

The Artisanal Spirits Company plc via Instinctif PR

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About The Artisanal Spirits Company

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

Based in Edinburgh, ASC owns The Scotch Malt Whisky Society (SMWS), Single Cask Nation (SCN) and J.G. Thomson (JGT). Owning over 18,000 casks primarily comprising Single Malt Scotch Whisky, ASC's stock includes outstanding whisky (and other spirits) from 150 different distilleries across 20 countries which is sold to members both as individual bottles and whole casks.

With an established global presence in some 30 countries, SMWS operates a direct-to-consumer model (90% of revenue) primarily through e-commerce, in addition to four member rooms in the UK. SMWS provides members with inspiring experiences, content and exclusive access to a vast and unique range of outstanding, expertly curated Scotch malt and other whiskies.

In January 2024, ASC acquired SCN which sources, curates and bottles single-cask whiskies and other spirits selling both online and via traditional retail channels to its following of over 10,000 whisky enthusiasts in the USA. SCN also retails to key international whisky markets around the world.

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

With proven e-commerce reach and a growing family of brands, ASC is building a portfolio of limited-edition and small-batch whisky and other spirits brands for a global movement of discerning consumers - delivering revenue of £23.5 million in FY23, predominantly from outside the UK, with an expanding presence in the other key global whisky markets including USA, China, Europe, Japan, Australia and Taiwan.

ASC has a pioneering business model, a substantial and growing addressable market presenting a long-term global opportunity and a strong and resilient business primed to deliver growth.

Interim Statement

Group Progress

We are pleased to have delivered a resilient performance in the period under review. The trading conditions and consumer purchasing behaviour experienced in FY23 have continued in FY24, an impact felt by most businesses within the spirits industry over the last 12-18 months, reported across some of the key leaders, with the US normalisation of the post-Covid era and China economic conditions resulting in decline in both these markets.

Whilst ASC has not been immune to these factors, we are pleased to have maintained relatively flat revenue, and importantly achieved profit improvement against this backdrop, illustrating the Group's broadening revenue streams. Diversification is evidenced through continued international development and expansion, such as Korea and Taiwan and the strengthening of ASC's operations in the US through the acquisition of Single Cask Nation, collectively delivering £0.7m of aggregated revenue (2023; nil), alongside new product offerings such as Cask Sales which delivered £1m in the period (H1-23; £0.5m), ensuring the Group is not overly exposed to temporary challenges in any given market.

At a membership level, there has been 4% growth year-on-year, to around 40,300 members at the end of June 2024 (H1 2023: 38,700). Whilst this is a slight reduction from December 2023, this reflects our more recent focus on retaining a more engaged membership base that is more sustainable for the longer term, as evidenced in the UK where membership has decreased 7% but average revenue per member has increased 8%. Retention within the Group remains strong at over 70%, representing the opportunity that exists when we onboard new members successfully.

The Group's priorities remain driving quality, long term membership growth through international development and initiatives such as 'Membership and a Bottle', product range review, our members cask sales programme and continued SCN growth, as well as continued efficient cost management.

As we continue to focus our attention on these areas and reflect on last 12-month profit delivery of £1m of adjusted EBITDA, we remain confident in achieving FY24 profit in line with market consensus requirements.

International Trading

Americas

The US remains the world's largest market for Scotch Malt Whisky, with over $1.5 billion of 2023 sales at Ultra-Premium price points and above (bottle prices over $45) and is one of the three core markets, alongside China

and India, identified by IWSR as the drivers of $30bn growth in Total Beverage Alcohol by 2028.

The acquisition of SCN completed in January 2024 and since then we have seen positive initial period of trading with its inaugural releases across both e-commerce and retail in the USA delivering £0.1m of EBITDA in H1. Both complementary and incremental to ASC's existing business, SCN is also strategically well aligned with the Group's stated ambition to further grow our presence in the USA and leverage the sizable and growing American Whiskey market.

SMWS America has seen membership growth of 17% to well over 7,000 and a depletions performance that is flat year on year, a resilient performance in a wider market that has witnessed volume decline over the same period. Retention remaining strong at the 70% level also gives confidence in continued growth in the market.

In line with our American growth strategy, we continue to develop our approach to SMWS operations in the US to give us greater direct operational control and the optimal cost structure with our partners in the market.

Asia

In Asia, the most recent international market additions of Taiwan and the franchise in Korea, delivered growth to partially offset a 30% decline in China. Taiwan membership up 40% vs Dec 23 and Korea achieving 56% membership growth over the same period, enabling the franchise markets to achieve their best ever 12-month delivery of £1.3m of revenue. We also continue to develop plans for further expansion in the region.

Europe

In Europe, performance at a revenue level was relatively flat, with the EU market achieving 14% membership growth and, in the UK, an improvement in the average revenue per member, up 8% on the twelve-month period to Jun 2023, helping mitigate a 7% decline in membership as we drive a more engaged membership base. Revenue performance in the UK venues was down slightly (5%) on the prior year but remained ahead of pre-Covid levels (up 11% since H1-19), with over 22,000 visit to the Vaults since completion of the refurbishment last year.

Balance Sheet Strategy Evolution and Whisky Stock Valuation

Since IPO, we have invested significantly in our cask spirit stock, notably continuing to optimise our whisky cask purchasing by evolving to a greater acquisition of new make spirit - ensuring we purchase at lower price points and proactively manage the maturation journey of our whiskies.

As a result, we have curated an exceptional collection of over 18,000 casks of whisky, from approximately 150 leading distilleries and representing over 200 different makes. As such, ASC now having sufficient stocks in place to meet forecast demand into the next decade. Correspondingly, the cash profile of the Group will adjust going forward as a result as the Group transitions from material net cash investments in stock to a replenishment approach.

Alongside this, we recently carried out an independent valuation of the cask spirit stock holding, completed by sector experts Dr Alan Rutherford and Des McCagherty, who have valued the current holding at around 4x the NBV, at just over £100m, which also represents around 4x the current Net Debt level of around £27m.

The Group will continue to invest in the sustainable growth of the business and regard the current Net Debt level as appropriate within the wider Group capital structure, supported by the significant cask spirit valuation.

Celebrating Continued Industry Recognition

The Group has been recognised for the quality of its spirits through awards from the top competitions around the world in 2024.

The outstanding reputation for the quality of ASC's whisky continues to attract a growing number of industry accolades, with notable success for SMWS which was named Independent Bottler of the Year in the World of Whiskies awards and the newly acquired Single Cask Nation (SCN) winning the Independent Bottler of the Year award in the San Francisco World Spirits Competition.

Other awards include a number of gold and silver awards achieved by SMWS, SCN and JGT across a number of worldwide competitions including Scotch Whisky Masters, San Francisco World Spirits Competition, and International Wine and Spirits Competition, awards achieved since 2018 standing at over 300.

Current Outlook and Trading

Trading in the early weeks of H2 have been positive, with consolidation in EBITDA improvement against the prior year, which is encouraging within the context of the last quarter of the year. The core business delivery

expectation in the remaining quarter is based on current trends and market dynamics, with timing of US shipments and cask sales key to overall delivery in line with consensus expectations.

Building on a stronger H1, the second half will see the first releases resulting from our range review. This process toensure our product range continues to reflect current consumer trends is now complete, and in H2-24 we will see the first releases, including the launch of the inaugural 'Creators Collection'. It will also see two new distillery .1 releases, sure to capture member interest, as well as the new 'Winter Series' collection.

It will also see the follow up release to the members cask programme, first launched in H2-23, the next iteration, containing new cask offerings in the spirit of the previous release, exciting distillery liquids with bourbon and sherry cask offerings.

Key strategic areas of delivery in the second half include the installation of a new state-of-the-art ePos system within our members' rooms, which is progressing to plan and budget. The new system will deliver an improved member experience within the Venues and allow SMWS to further understand and connect with the many members who visit our venues in Edinburgh, Glasgow and London.

The Board remains confident in the future opportunity for ASC and delivery of market consensus expectation - well placed to deliver significant future value for shareholders.

Financial Review

The Group has achieved year-on-year EBITDA improvement of £1m against relatively flat revenue delivery, resulting in an improvement in Loss Before Tax (LBT) to £3.1m (2023; £3.5m) - cost base savings supported by margin mix at an EBITDA level, offset to a degree by increased interest costs of £1.1m (2023; £0.6m) at an LBT level.

Despite the backdrop of market and economic headwinds, ASC has taken action to continue to increase the diversification of Group revenue, as we manage the Group's exposure to any given market or territory. Where we have seen China decline around 30% year on year, following a similar decline in FY24, reducing to around 12% of Group revenue, our ability to deliver revenue around the same level as prior year, has been achieved through Single Cask Nation (SCN), Taiwan first full H1 delivery and Cask Sales, in total, delivering 3x the level achieved in PY, at £1.8m revenue in 2024 (2023; £0.6m).

A focus on cost management and efficiencies has significantly contributed to the EBITDA improvement of £1m, with 2ppt of gross margin improvement, £0.2m gross profit equivalent, supporting £0.7m of cost savings;

	Selling & Distribution Expenses		Administrative Expenses	
	2024-H1	2023-H1	**2024-H1**	2023-H1
	£'000	£'000	**£'000**	£'000
Commission	**633**	746		
Advertising & Promotion (A&P)	**1,230**	1,643		
Depreciation	**916**	835		
FX Loss	**30**	167		
Overheads			**1,852**	2,221
Payroll			**3,637**	3,552
Total	**2,810**	**3,390**	**5,489**	**5,774**

A&P, Overheads and Commission savings of £0.9m have been marginally offset by costs relating to payroll, reflecting the inflationary pay increase in year of £0.2m, and FX loss of £0.1m, predominantly relating to USD. For every +/-1c movement in USD, the EBITDA impact is +/- £15k.

Within A&P, spending is around 75% of prior year levels, a saving of £0.4m year on year, as we look to further enhance the return on investment in the area, evident through ability to achieve similar revenue to FY23 at a reduced A&P investment rate.

Recurring cost-efficiency savings within Overheads are driven by cost management in relation to professional fees, travel costs and wider overhead costs, supported by the less intense investment requirement compared to the prior year, where strategic delivery and spend was made in tech roadmap (delivering a new app in 2023), new product development spend (new 'Membership and a Bottle' product) and costs relating to the set-up of Taiwan and acquisition of Single Cask Nation within the American Whisky development opportunity.

From a cash flow perspective, the increased net debt of the business is predominantly driven by the £1.0m EBITDA loss for the period alongside increased interest cost of £0.8m, net stock and wood investment, £0.3m and £0.4m respectively, timing of US shipments on debtor holding of £1m and the initial £0.2m acquisition of SCN in January of this year.

From an investment perspective, net spend in stocks (cask spirit) and wood will continue reduce to as we slow down the intensity of investment in this area as a result of having stocks to meet demand for the foreseeable future, pivoting to investment on a replenishment basis.

The Group Balance Sheet remains strong, with net assets of £15.2m, a cask spirit stock with a book value of £26.5m and Net Debt of £27m - an independent valuation of that stock now around 4x NBV and Net Debt levels.

The Artisanal Spirits Company plc
Consolidated Statement of Comprehensive Income

For the period ended 30 June 2024

£'000	Notes	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Continuing operations				
Revenue	6	**10,095**	**10,225**	**23,500**
Cost of sales		(3,720)	(4,013)	(8,499)
Gross Profit		**6,375**	**6,212**	**15,001**
Selling & Distribution expenses		(2,810)	(3,390)	(6,238)
Administrative expenses		(5,489)	(5,774)	(10,901)
Finance costs		(1,146)	(629)	(1,516)
Other income	8	3	77	79
Loss on ordinary activities before taxation	9	**(3,067)**	**(3,504)**	**(3,575)**
Taxation		(18)	(8)	(158)
Loss for the period		**(3,085)**	**(3,512)**	**(3,733)**
Other comprehensive income:				
Item that will not be reclassified to profit or loss				
Movements in cash flow hedge reserve		-	-	(8)
Movements in translation reserve		(111)	(127)	(64)
		(111)	(127)	(72)
Total comprehensive loss for the period		**(3,196)**	**(3,639)**	**(3,805)**
Loss for the period attributable to;				
- Owners of parent company		(3,139)	(3,593)	(3,848)
- Non-controlling interest		54	81	115
		(3,085)	**(3,512)**	**(3,733)**
Total comprehensive loss for the period attributable to;				
- Owners of parent company		(3,250)	(3,720)	(3,920)
- Non-controlling interest		54	81	115
		(3,196)	**(3,639)**	**(3,805)**
Basic EPS (pence)	12	(4.6)	(5.3)	(5.5)
Diluted EPS (pence)	12	(4.6)	(5.3)	(5.5)

The Artisanal Spirits Company plc
Consolidated Statement of Financial Position
As at 30 June 2024

£'000	Notes	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Non-current assets			
Investment property		420	420
Property, plant and equipment	13	11,256	10,426
Intangible assets		2,505	2,389
		14,181	**13,235**
Current assets			
Inventories	14	31,028	30,564
Trade and other receivables		5,489	4,787
Cash and cash equivalents		1,880	1,235
		38,397	**36,586**
Total assets		**52,578**	**49,821**
Current liabilities			
Trade and other payables		3,532	3,216
Current tax liabilities		442	702
Financial liabilities	15	245	272
Lease liability	15	394	384
		4,613	**4,574**
Net current assets		**33,784**	**32,012**
Non-current liabilities			
Financial liabilities	15	28,600	23,809
Lease liability	15	3,221	2,575
Other payables		331	-
Provisions		662	589
		32,814	**26,973**
Total liabilities		**37,427**	**31,547**
Net Assets		**15,151**	**18,274**
Equity			
Called up share capital		176	176
Share premium account		15,255	15,255
Translation reserve		(251)	(140)
Retained earnings		(278)	2,789
Cash flow hedge reserve		-	-
Equity attributable to parent company		**14,903**	**18,080**
Non-controlling interest		249	195
Net assets		**15,151**	**18,275**

The Artisanal Spirits Company plc
Consolidated Statement of Cash Flows
For the period ended 30 June 2024

£'000	Notes	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Loss for the period after tax		(3,085)	(3,512)	(3,733)
Adjustments for:				
Taxation charged		18	8	158
Finance costs		1,057	579	1,415
Interest receivable		-	(2)	(4)
Movement in provisions		73	4	9
Share based payments		72	100	(48)
Investment in property fair value movement		-	-	(15)
Lease interest		89	50	101
Depreciation of tangible assets		856	760	1,568
Amortisation of intangible assets		168	124	282
Movement in working capital:				
(Increase)/decrease in stocks		(292)	(1,477)	(2,261)
(Increase)/decrease in debtors		(1,009)	(64)	(1,073)
Increase/(decrease) in creditors		(77)	756	(700)
Cash absorbed by operations		**(2,130)**	**(2,674)**	**(4,301)**
Income taxes paid		(278)	(86)	139
Interest paid		(726)	(579)	(1,379)
Net cash outflow from operating activities		**(3,134)**	**(3,339)**	**(5,541)**
Cash flow from investing activities				
(Disposal)/purchase of intangible assets		11	(14)	(422)
Purchase of property, plant and equipment		(526)	(610)	(1,657)
Sale of property, plant and equipment		-		23
Acquisition of trade and assets		(160)	-	-
Interest receivable		-	2	4
Net cash used in investing activities		**(675)**	**(621)**	**(2,052)**
Cash flows from financing activities				
Share issue		-	252	260
Transaction with non-controlling interest		-	-	65
Asset backed lending received		3,457	-	2,592
Inventory secured RCF facility		1,500	3,221	5,000
Loans received		-	-	1,450

Repayment of loan	(140)	-	(2,336)
Repayment of leases	(252)	(230)	(461)
Net cash from financing activities	**4,565**	**3,243**	**6,570**
Net (decrease)/increase in cash and cash equivalents	**756**	**(718)**	**(1,023)**
Cash and cash equivalents at beginning of period	**1,235**	**2,331**	**2,331**
Reserve movements	(111)	(108)	(73)
Cash and cash equivalents at end of period	**1,880**	**1,506**	**1,235**

The Artisanal Spirits Company plc
Consolidated Statement of Changes in Equity
For the period ended 30 June 2024

£'000	Called up share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Translation reserve	T con int
Balance at 31 December 2022	**174**	**14,997**	**6,685**	**8**	**(76)**	**2**
Issue of share capital	2	258				
Loss for the period			(3,848)			(3
Share-based compensation			(48)			
Transaction with non-controlling interest						
Dividend payable						
Other comprehensive loss				(8)	(64)	
Balance at 31 December 2023	**176**	**15,255**	**2,789**	**-**	**(140)**	**1**
Loss for the period			(3,139)			(3
Share-based compensation			72			
Other comprehensive gain					(111)	(
Balance at 30 June 2024	**176**	**15,255**	**(278)**	**-**	**(251)**	**1**

Notes to the unaudited interim financial information

1. **Basis of preparation**

The condensed interim financial information presents the consolidated financial results of The Artisanal Spirits Company plc and its subsidiaries (together the "Group") for the six months ended 30 June 2024 and the comparative figures for the six months ended 30 June 2023 which are unaudited. This financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.The external auditor's report on the Group's annual report and accounts for the year to 31 December 2023 was unqualified and did not include an emphasis of matter statement under s.498 of the Companies Act 2006.

This statement does not include all the information required for the annual financial statements and should be read in conjunction with the Group's Annual Report and Accounts for the 12 months ended 31 December 2023. The Annual Report is available on the Group's website (www.artisanal-spirits.com/).

2. Accounting policies

This condensed consolidated interim financial information has been prepared in accordance with IAS34 'Interim Financial Reporting', the International Accounting Standard as adopted in the United Kingdom. The accounting policies applied in preparing the condensed consolidated interim financial information consistent with those applied in the most recent Annual Report and Accounts for the year ended 31 December 2023.

In this condensed consolidated financial information, the Group has applied amendments to IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the UK Endorsement Board ("UKEB") that are mandatorily effective for accounting periods that begin on or after 1 January 2024. The new effective amendments are:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current & Non-current Liabilities with Covenants;
- Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements: Disclosures.

None of the amendments issued by the IASB and endorsed by the UKEB have had a material impact on the Group.

The following new standards and amendments to existing standards have been issued by the IASB at the reporting date:

- Amendment to IAS 21 - Lack of exchangeability (UKEB endorsed, effective 1 January 2025);
- IFRS 18 - Presentation and Disclosure in Financial Statements (not yet endorsed by UKEB, effective 1 January 2027); and
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures (not yet endorsed by UKEB, effective 1 January 2027).

3. Going concern

The financial information has been prepared on the basis that the Group will continue as a going concern. In assessing the appropriateness of adopting the going concern basis in the preparation of the condensed interim financial information, the Board has considered relevant information, including annual budget sensitivities, forecast future cash flows until September 2025, availability of financing and the impact of subsequent events in making their assessment.

The directors have considered in detail the impact of reasonably plausible downside scenarios and are satisfied there is sufficient headroom in their cashflow forecasts to continue to operate as a going concern.

Based on this assessment and taking into account the Group's and the Company's current position, the directors have a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the 12-month period from the date of this announcement.

4. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are unchanged from those set out in the Group's Annual Report and Accounts for the 12 months ended 31 December 2023.

5. Dividends

No dividend was declared or paid during the period (prior period £nil).

6. Operating segments

6 months to 30 June 2024 (Unaudited)	Europe £'000	Asia £'000	Americas £'000	Other £'000	Group £'000
Revenue	5,455	2,149	2,021	470	10,095
Cost of Sales	(2,437)	(610)	(473)	(200)	(3,720)
Gross Profit	**3,018**	**1,539**	**1,548**	**270**	**6,375**
Selling & distribution costs					(2,810)
Administrative costs					(5,489)
Finance costs					(1,146)
Other income					3
Loss before tax					(3,067)
Taxation					(18)
Net loss					**(3,085)**

6 months to 30 June 2023 (Unaudited)	Europe £'000	Asia £'000	Americas £'000	Other £'000	Group £'000
Revenue	5,460	2,348	1,950	467	10,225
Cost of Sales	(2,730)	(671)	(424)	(188)	(4,013)
Gross Profit	**2,730**	**1,677**	**1,526**	**280**	**6,212**
Selling & distribution costs					(3,990)
Administrative costs					(5,774)
Finance costs					(629)
Other income					77
Loss before tax					(3,504)
Taxation					(8)
Net loss					**(3,512)**

Year ended 31 December 2023 (Audited)	Europe £'000	Asia £'000	Americas £'000	Other £'000	Group £'000
Revenue	12,570	5,223	4,722	985	23,500
Cost of Sales	(5,783)	(1,415)	(896)	(405)	(8,499)
Gross Profit	**6,787**	**3,808**	**3,826**	**580**	**15,001**
Selling & distribution costs					(6,238)
Administrative costs					(10,901)
Finance costs					(1,516)
Other income					79
Loss before tax					(3,575)
Taxation					(158)
Net loss					**(3,733)**

The Board, the Chief Operating Decision Marker, does not receive a segmental breakdown of assets and liabilities, depreciation or capital expenditure.

The Group's revenue can be analysed by product category as follows:

£'000	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Revenue from the sale of Whisky	7,744	7,679	18,161
Membership Income	762	822	1,724
Revenue from the sale of other spirits	33	56	143
Member rooms (Food & Drink)	1,046	1,091	2,244
Events & tastings	467	455	886
Other	43	123	342
	10,095	**10,225**	**23,500**

7. KPIs

The KPIs relating to SMWS membership are monitored by the Board and by Management over a rolling twelve-month period are as follows:

To 30 June 2024 (unaudited)

	LTM Revenue £'000	Period End Members ('000s)	Average Members ('000s)	Annual Revenue/ Member	Annual Contribution[1]/ Member	Retention %	Expected Years[2]	LTV[3] (Members)
Europe	**9,757**	24.4	25.0	390	185	72%	3.6	656
Asia	**5,011**	5.5	5.0	1,002	721	64%	2.8	1,994
Americas	**4,699**	8.5	8.1	582	342	64%	2.7	937
Other	**980**	1.9	1.9	504	281	69%	3.2	894
Total[4]	**20,447**	**40.3**	**40.0**	**511**	**288**	**71%**	**3.4**	**989**
Change[5]	*-4%*	*4%*	*8%*	*-11%*	*-13%*	*-4%*	*-10%*	*-22%*

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

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

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

4) Total revenue provided excludes trade cask sales, JG Thomson trade sales, and Single Cask Nation sales, all of which are unrelated to the membership proposition, totalling £2,922k (12 months to 30 June 2023: £572k)

5) Change is shown versus the twelve-month period ended 30 June 2023

8. Other Operating Income

£'000	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Other Income	3	77	79
	3	**77**	**79**

9. Loss on ordinary activities before taxation

£'000	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Loss on ordinary activities before taxation	(3,067)	(3,504)	(3,575)
Add back; Depreciation of tangible assets	772	760	1,173
Add back; Depreciation of production equipment within cost of sales	31	-	106

Add back; Amortisation of intangible assets	144	124	282
Add back; Finance Costs - loans	1,056	629	1,415
Add back; Finance Costs - leases	89		101
EBITDA	**(975)**	**(1,991)**	**(498)**
Non-underlying costs	-	180	647
Adjusted EBITDA*	**(975)**	**(1,811)**	**149**

** Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and non-underlying costs*

10. Non-underlying costs

£'000	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2023 (Audited)
Non underlying acquisition and transaction costs	-	-	138
Non underlying Masterton pre-operational costs	-	91	91
Non underlying organisational restructuring costs	-	89	418
	-	**180**	**647**

For the year ended 31 December 2023, non-underlying costs comprise executive and senior management team restructuring costs, pre-acquisition costs in relation to the Group's new operations in Taiwan and the Group's acquisition of Single Cask Nation subsequent to the year end, and costs relating to finalisation of the Masterton Bond start-up which became operational in 2022.

11. Taxation

The results include a tax charge against the profits of the Group's Chinese subsidiary at the rate of 25% in both 2023 and 2024. There have been no corporation taxes due against other Group companies due to carried forward trading losses.

12. Earnings Per Share (EPS)

	6 months to 30 June 2024 (Unaudited)	6 months to 30 June 2023 (Unaudited)	Year Ended 31 December 2022 (Audited)
Earnings used in calculation (£'000)	(3,250)	(3,720)	(3,848)
Number of shares	70,559,774	69,807,454	70,214,725
Basic EPS (p)	(4.4p)	(5.1p)	(5.5p)
Fully diluted number of shares	73,701,200	74,995,461	74,989,595
Diluted EPS (p)	(4.4p)	(5.1p)	(5.5p)

13. Property, Plant & Equipment

	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 2023	678	1,441	503	4,170	3,449	4,505	14,746
Additions	-	-	-	817	840	-	1,657
Disposals	-	-	-	(25)	-	-	(25)
As at 31 December 2023	678	1,441	503	4,962	4,289	4,505	16,378
Additions	-	-	-	77	450	1,160	1,686
As at 30 June 2024	678	1,441	503	5,039	4,739	5,665	18,064
Accumulated Depreciation							
As at 1 January 2023	181	1,097	306	1,172	493	1,135	4,384
Charge for the year	15	70	47	849	169	420	1,570
Released on disposal	-	-	-	(2)	-	-	(2)
As at 31 December 2023	196	1,167	353	2,019	662	1,555	5,952
Charge for the 6 months	8	29	22	418	119	259	856

As at 30 June 2024	211	1,222	356	2,423	781	1,814	6,808
Net book value							
As at 31 December 2023	482	274	150	2,943	3,627	2,950	10,426
As at 30 June 2024	466	219	146	2,616	3,958	3,851	11,256

Investment in the period is driven by recurring Cask Wood investment £450k (2023; £322k) and recognition of the Right of Use asset in relation to the Group's new Head Office at 10 George Steet, Edinburgh.

14. Inventories

£'000	As at 30 June 2024 (Unaudited)	As at 30 June 2023 (Unaudited)	As at 31 December 2023 (Audited)
Cask whisky & other spirits	26,482	23,926	25,343
Bottled stock	2,865	3,096	3,092
Other inventory	2,332	1,828	2,129
Total inventory	**31,028**	**29,780**	**30,564**

The movement in inventory is primarily driven by continued investment in our cask stock inventory as we invest to meet future demand, with net cask investment representing £1.1m in the six-month period (H1-23: £0.9m).

15. Financial Liabilities

£'000	As at 30 June 2024 (Unaudited)	As at 30 June 2023 (Unaudited)	As at 31 December 2023 (Audited)
Inventory secured revolving credit facility	21,500	19,400	20,000
Inventory financing	6,050	-	2,628
Bank loans	1,270	569	1,418
Other loans	25	45	35
Financial liabilities	28,845	20,014	24,081
Lease liability	3,615	3,139	2,959
	32,460	**23,153**	**27,040**

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 cask goods component of inventory assets. The total facility available is £21.5m. The loan is interest bearing and interest is due at a rate of 2.25% over the Bank of England base rate.

The inventory financing facility allows the SMWS subsidiary to raise finance of 60% to 80% of current market value secured against cask spirit, up to a total facility availability of £15.0m. The facility carries interest on cash advanced at a rate of 2.25% over the Bank of England base rate, settled on settlement of the principal. The Company has issued a parental guarantee to SMWS in favour of the lender.

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 2.25% over the Bank of England base rate.

16. 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.

Derivative assets are classified as financial assets measured at fair value (level 2 - i.e. those that do not have regular market pricing) through other comprehensive income.

Financial liabilities

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

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 other comprehensive income.

17. Business Combinations

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

Details of the acquisition are as set out below:

£'000	6 months to 30 June 2024 (Unaudited)
Purchase consideration:	
Cash paid	160
Deferred consideration	307
	467
Less: fair value of identifiable net assets acquired	(248)
Intangible asset recognised	**219**

Deferred consideration is contingent upon the future revenue, profitability and membership growth in the acquired business during the financial years 2024 and 2025. This comprises a base earn out and stretch target with the amount payable ranging from £nil to £397k. The deferred consideration recognised of £307k is based on current forecasts.

The fair value of net assets acquired comprise:

£'000	6 months to 30 June 2024 (Unaudited)
Cask whisky and other spirits	99
Bottled stock and other inventory	74
Customer list	75
	248

During the period, the acquired business contributed £279k revenue and £129k profit before taxation. Had the business been under the Group's control from 1 January 2024, the Group's revenue and profit before tax would remain as reported, due to the minimal time period between 1 January and the acquisition date. As set out in Note 10, certain non-underlying costs incurred in 2023 related to this acquisition. Of the non-underlying acquisition and transaction costs in the year ended 31 December 2023, £58k related to the completed acquisition.

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